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OHIO ARCHAEOLOGICAL AND HISTORICAL QUARTERLY

VOL. XXIV.

JULY, 1915.

No. 3



COLUMBUS, OHIO:
PRESS OF THE F. J. HEER PRINTING CO.
1915

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In carrying on this study the Ohio state documents and the early newspapers and local histories of the state have been the most important sources of material and this fact delayed the completion of the work for some years until the writer's return to Ohio where alone much of this material was accessible. In making available the many state publications and files of old newspapers, which had to be gone through without the help of an index, great assistance has been rendered by the staffs of the Cornell and Ohio State University Libraries and the Library of Congress, Washington, D. C., the Dayton Public Library, Dayton, Ohio, and the Ohio State Library, Columbus, Ohio.

Others to whom the writer wishes to acknowledge obligation are, Professor Davis R. Dewey of the Massachusetts Institute of Technology, for assistance in the collection of material and approval of the completed monograph as a part of the Carnegie Institution's work on the economic history of the United States, and Mr. E. O. Randall, Secretary of the Ohio State Archaeological and Historical Society, for his kindness in reading the manuscript and his active interest in furthering its publication. Last, but not least, there is the debt which the writer owes to his wife, for encouragement and assistance in the various stages of the work.

C. C. HUNTINGTON.

Ohio State University,
August 24, 1915.

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GEOGRAPHY AND EARLY HISTORY OF OHIO,

Boundaries and Drainage. — The State of Ohio has an area of 41,240 square miles.* Its longest east and west measurement is 225 miles, and its longest north and south measurement 210 miles. Extending from the Ohio River to Lake Erie the state lies partly in the drainage basin of the Mississippi River and partly in that of the St. Lawrence, about one-fourth of the state draining into Lake Erie and the rest into the Ohio. The principal rivers of the state which flow into the Ohio are, naming them from east to west, the Mahoning, the Muskingum, the Hocking, the Scioto, the Little Miami, and the Great Miami, while the Grand, the Cuyahoga, the Sandusky, and the Maumee rivers flow into Lake Erie. Nearly three-fourths of the northern boundary of Ohio is formed by Lake Erie, its southern shore line in Ohio being 220 miles in extent. All of the southern and more than half of the eastern boundaries of the state are formed by the Ohio, which flows for more than 436 miles along the borders of the state.

These waterways have been very important factors in the history of Ohio, — influencing the movements of the early explorers, and guiding the fur traders and frontiersmen that followed them; deciding the location of the early settlements, and determining the distribution of later population; facilitating the marketing of surplus products; supplying water power for mills and factories; and affording means of communication between different parts of the state, as well as with other parts of the country.

La Salle and the French Fur Traders. — As early as 1669 the Frenchman, Joliet, traversed Lake Erie from west to east,¹ while the next year LaSalle is said to have crossed the region south of the lake, possibly by way of the Cuyahoga and Mus-

*Ohio Topographical Survey, 1910, p. 55.

¹ Cartier to Frontenac — Justin Winsor, p. 218.

kingum portage route, and to have found the Ohio.² Thus what is now Ohio became part of the great domain of France in America. It is said that at the mouth of the Cuyahoga the French held a conference with the Five Nations as early as 1684.³ Soon after that the French traders were pushing along the south shore of Lake Erie and up the valleys of the Sandusky and the Maumee on their way to the Wabash. No permanent establishment, however, was made in or near Ohio during the remainder of that century. In 1701 Cadillac established Detroit as a strategic point from which to control the fur trade, and the Maumee, the Sandusky, and the territory down to the Ohio became dependencies of this center.⁴

English Trade Rivalry.—At this time the adventurous traders of the English were already crossing the Alleghanies from the seaboard colonies and fixing their huts along the Ohio.⁵ By 1725 English traders from Carolina were trading with the Miamis on the Wabash,⁶ and English trade rivalry among the tribes of both the Ohio and the Lakes soon became a serious matter with the French officials and merchants.⁷ The trade war between the English and the French for the West continued during the entire 18th century. They first struggled for the possession of strategic points on the Wabash. This was the incentive which induced the French to found Vincennes about 1735.⁸ Next came another battle for the Ohio country. Probably as early as 1730 English traders from Pennsylvania were making their way across middle or southern Ohio.⁹ From that time until the middle of the century the contest was narrowed

² La Salle and the Discovery of the Great West—Francis Parkman, p. 22. See also *Discovery of America*—John Fiske, Vol. II., p. 532.

³ The Ohio Valley in Colonial Days—Berthold Fernow, p. 40.

⁴ Cooley's Michigan, pp. 16, 18 and 19.

⁵ Cartier to Frontenac—Justin Winsor, p. 364.

⁶ Ohio—Rufus King, pp. 49-51.

⁷ France in America—Reuben Thwaites, p. 91.

⁸ The Wabash Trade Route—Benton, p. 29; Also Bancroft's History of the United States, Vol. II., p. 225; The Mississippi Basin—Winsor, p. 149; and France in America—Reuben Thwaites, p. 93.

⁹ Ohio—Rufus King, pp. 53, 57. Also The Mississippi Basin—Winsor, p. 149.

to the region south of Lake Erie.¹⁰ In 1745 English traders were at Sandusky erecting houses, perhaps the first English structures in Ohio.¹¹ In 1748 an English alliance with the Miami effectually established English trade on the Wabash, and the packmen of Pennsylvania and Virginia pushed boldly into the Ohio Valley, establishing their most advanced post that year at Pickawillany on the Great Miami River.¹² It was estimated that during a single season at this time some 300 English traders were leading their packhorses and dragging their batteaux over the mountain passes into the Ohio Valley.¹³

The Inevitable Conflict. — The French looked with great alarm upon this intrusion of English packmen into Ohio, which not only threatened their fur trade in that region, but endangered the communications between Louisiana and Canada.¹⁴ In 1748 the commandant at Detroit received instructions to be wary and, though peace ostensibly existed, to use force if necessary to prevent the English getting a lodgment in the Ohio country.¹⁵ The following year Céleron de Bienville was sent with a strong force down the Alleghany and Ohio rivers to take formal possession by burying leaden plates at the mouths of the chief streams, and to drive out English traders. He found traces of English packmen everywhere, and though he arrested four, his report was very discouraging. It was then that the Governor of Quebec asked for 10,000 French peasants to settle the region before the English should do so.¹⁶

The English colonies were already looking upon the Ohio Valley as an important outlet to their growing population. In 1749 the Ohio Company was chartered for trading and colonizing purposes west of the mountains, and the next year it sent Christopher Gist to explore the Ohio region. He met many

¹⁰ The Wabash Trade Route — Benton, p. 30.

¹¹ The Mississippi Basin — Winsor, p. 248.

¹² Ibid, pp. 243 and 249.

¹³ Ibid, p. 249. Also Montcalm and Wolfe — Parkman, Vol. I. p. 43.

¹⁴ Narrative and Critical History of America — Justin Winsor, Vol. V., p. 12.

¹⁵ The Mississippi Basin — Winsor, p. 249.

¹⁶ France in America — Thwaites, p. 151.

Scotch-Irish traders who were operating in what is now Ohio, and his favorable report greatly stimulated English interest in the West. At once daring Virginia settlers began moving over the mountains.¹⁷ It was evident that a collision between the French and the English could not be postponed much longer. In fact the inevitable conflict was at hand, and there was on both sides a belief that whoever should be left in possession of the Lakes and the Ohio at the close of the war about to begin would control the continent.¹⁸ Indeed the Old Northwest, as Professor Hinsdale says, was "the occasion of the final struggle for dominion between France and England in North America."¹⁹

Pontiac's Conspiracy.—Upon the outbreak of the Old French and Indian War in 1754, practically all the English traders and pioneers beyond the mountains withdrew to the older settlements. Probably not a British trader or settler remained west of the Alleghanies.²⁰ But after the treaty of Paris in 1763, which closed the war and transferred Canada and the great central valley east of the Mississippi to England, the westward movement of the English began again with renewed energy. Not only traders but settlers also at once began pushing over the mountains into the Ohio Valley, although a proclamation of the king in 1763 had forbidden the English colonists to attempt to occupy the region west of the mountains, which was made crown lands to be given over to the uses of the Indians.²¹

This movement was suddenly checked, however, by the Indians themselves in the Conspiracy of Pontiac, when that Ottawa chieftain, finding the Indians fiercely resenting the intrusion of settlers upon their lands,²² succeeded in organizing the tribes of the Lake Region into the most formidable Indian movement in American history.²³ For more than a year terror reigned supreme along the whole English frontier, and it was only with

¹⁷ France in America — Thwaites, pp. 152-4.

¹⁸ The Mississippi Basin — Winsor, p. 336.

¹⁹ The Old Northwest — B. A. Hinsdale, p. V.

²⁰ France in America — Thwaites, pp. 165 and 181.

²¹ The Western Movement — Winsor, p. 2.

²² The Conspiracy of Pontiac — Parkman, Vol. I., pp. 175 and 176.

²³ Formation of the Union — A. B. Hart, p. 40.

the greatest difficulty that Pontiac was beaten. Finally, however, after winning the bloody battle of Bushy Run in August, 1764, Col. Henry Bouquet pushed across the Ohio and penetrated the wilderness as far as the Muskingum River. Here in October, 1764, he succeeded in making a treaty with the Indians, and again the English traders, hunters, and settlers began to enter the Ohio country, for at that time no region in North America had the reputation of being so inviting as the Ohio Valley.²⁴

The Quebec Bill.—To prevent the fur trade of the Northwest from slipping away to the French and Spanish the English home government desired to placate the Indians, and therefore endeavored to restrain the settlers from crossing the Ohio.²⁵ This program, however, was little heeded by the hundreds of English colonists who were already entering the Ohio Valley, and many of whom crossed to the northern side of the river; neither did it meet with the approval of the Colonies themselves, several of which claimed various portions of the northwest. In 1774, largely as a means of extinguishing all claims of Connecticut, Massachusetts, and Virginia to this region Parliament passed the Quebec Bill, which annexed to Quebec the whole territory between the Ohio and Mississippi Rivers and the Great Lakes.²⁶ But just as the Royal Proclamation of 1763 failed to prevent the settlers from crossing the mountains and only served to anger the Colonies; so the Quebec Bill not only failed to keep settlers from crossing the Ohio, but was seized upon as one of the grievances justifying the Revolution.²⁷

The Moravians and the Squatters.—As early as 1772 Zeisberger and his Moravians had crossed the Ohio, pushed into the interior, and laid the foundation of a white settlement in the valley of the Tuscarawas, one of the branches of the Muskingum.²⁸ And before the Revolution many pioneer settlements

²⁴ The Western Movement—Winsor, p. 12.

²⁵ Ibid, pp. 23 and 25.

²⁶ Formation of the Union—Hart, p. 60.

²⁷ Formation of the Union—Hart, p. 60. Also The Old Northwest—Hinsdale, p. 147. The Western Movement—Winsor, p. 2.

²⁸ The Western Movement—Winsor, p. 56. Also King's Ohio, p. 126.

had been made on the northern side of the Ohio as far down as the mouth of the Muskingum. In 1776 Col. Patterson reported several of these so-called "tomahawk" improvements below the Hocking, and two years later they had already extended for thirty miles up the Muskingum.²⁹ These people were the subject of frequent complaints by the Indians, who were determined to preserve their hunting grounds; and Congress in September 1783 issued a proclamation against unauthorized appropriations of the Indian lands; but in vain, there continued a steady flow of settlers across the Ohio, giving the Indians good reason to suspect the Americans of a design to encroach upon their tribal lands.³⁰

Permanent Settlement. — After the close of the Revolution the fame of the lands along the Ohio spread rapidly and companies began to be formed for the purpose of planting colonies there. In January 1785, at the treaty of Fort McIntosh the Indian title to a large part of the land between Lake Erie and the Ohio river was extinguished,³¹ and in June 1787 Congress passed the famous Ordinance of 1787 providing for the government of the Northwest Territory.³² A few months later, in October 1787, the Ohio Company, composed largely of people from Massachusetts, contracted for the purchase of about 1,500,000 acres along the Ohio between the Scioto and Muskingum rivers, and early the following spring they made what is known as the first permanent settlement in Ohio, when, on the seventh of April, 1788, they founded Marietta at the mouth of the Muskingum.³³ In October of the same year a company composed chiefly of New Jersey people contracted for a large tract of land between the mouths of the Miamis and in November 1788 they founded a town, called Columbia, at the mouth of the Little Miami. A month later, about five miles below this point, a town was started on the Ohio river just opposite the mouth of the

²⁹ King's Ohio, pp. 191-2.

³⁰ The Western Movement — Winsor, pp. 243-5.

³¹ Historical Collections of Ohio — Henry Howe, Vol. I., p. 36.

³² Formation of the Union — Hart, p. 108.

³³ Howe's Historical Collections of Ohio, Vol. I., pp. 37 and 131. The Western Movement — Winsor, pp. 296 and 298.

Licking. This later came to be known as Cincinnati,³⁴ and was destined soon to distance its early rivals in growth of population and commercial importance. It was not until after the treaty of Greenville in 1795, however, that Cincinnati made much growth.³⁵

The Treaty of Greenville. — As the settlements north of the Ohio increased in number and population the Indians became more and more uneasy. Hostile bands were soon hovering about the Muskingum and Miami settlements, and before long open warfare broke out. In 1790 an expedition from Cincinnati led by General Harmar resulted in failure, and the following year Gov. St. Clair's strong force, which proceeded against the Indians on the Maumee, was totally defeated. Indian outrages of all kinds increased until immigration north of the Ohio almost ceased. Finally, however, in 1794 an army under Gen. Anthony Wayne inflicted a severe defeat upon the Indians at the rapids of the Maumee after which Wayne burned many of their villages, laid waste their cornfields for miles, and erected Fort Defiance in the heart of their country.³⁶ This brought the Indians to terms, and at Greenville in 1795 eleven of the most powerful tribes of the Northwest made a treaty with Gen. Wayne, which confirmed the boundary line fixed at the treaty of Fort McIntosh. This opened all of Ohio to white settlement except the northwestern part.

Admission to Statehood. — During the next few years following the treaty of Greenville in 1795 a wave of settlers began to pour into the territory. Population, hitherto confined chiefly to the vicinity of the Ohio, began to diverge from Marietta on the one hand and Cincinnati on the other, towards the height of land between the Ohio and Lake Erie. Naturally the river valleys were the first to become populous. Soon permanent settlers were occupying the valleys of the Muskingum, the Hocking, the Scioto, and the Miamis, and a range of towns across the country north of the early settlements marked the progress of

³⁴ Howe's Historical Collections of Ohio, Vol. I, pp. 38 and 747. The Western Movement — Winsor, p. 315.

³⁵ King's Ohio, p. 215.

³⁶ Howe's Historical Collections of Ohio, Vol. I., p. 40.

population.³⁷ In the Miami Valley, Hamilton was laid out in 1794, Dayton in 1796, and Springfield in 1801. On the Scioto, Chillicothe was laid out in 1796, and the next year Franklinton, where Columbus now stands. Athens on the Hocking was settled in 1797 and Lancaster in 1800. While in the Muskingum Valley, Zanesville was begun in 1799 and Coshocton in 1802.³⁸ Meanwhile Cleveland had been founded on Lake Erie at the mouth of the Cuyahoga in 1796,³⁹ and Steubenville on the upper Ohio in 1798.⁴⁰ Thus the great outlines of the future state so rapidly filled with inhabitants that on April 30, 1802 Congress passed an act enabling the portion of the Northwest Territory between Lake Erie and the Ohio River to form a state.⁴¹ A convention assembled at Chillicothe in November 1802 and adopted a Constitution,⁴² and an act of Congress approved April 15, 1803 recognized the State of Ohio.⁴³

³⁷ King's Ohio, p. 264.

³⁸ Howe's Historical Collections of Ohio, Vol. I., pp. 342, 396, 466 and 589; Vol. II., pp. 274 and 492.

³⁹ The Western Movement — Winsor, pp. 502-4.

⁴⁰ Howe's Hist. Coll. of Ohio, Vol. I., p. 964.

⁴¹ Charters and Constitutions — Ben Perley Poore, Vol. II., p. 1453.

⁴² Ibid, p. 1455.

⁴³ Ibid, p. 1464.

PART I. BANKING IN OHIO UNDER
SPECIAL CHARTERS. 1803-1843.

NOTE ISSUE BASED ON GENERAL ASSETS.

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CHAPTER I.

THE ANTE-INFLATION PERIOD. 1803-1814.

Economic Conditions. — During the period preceding the War of 1812 the people of Ohio were occupied literally in getting out of the woods. Dense forests separated the different settlements, delaying the social and economic fusion of the population. The barrier of the Alleghanies cut them off from the markets of the Atlantic States except for live stock, which could be driven over the mountains on foot. Consequently the occupations of the people were mainly pastoral or agricultural. Yet the very barriers which made it hard to dispose of surplus products and difficult and costly to import merchandise, etc., served to hasten home manufacturers. The towns on the Ohio and its tributaries had the advantages of river communication with each other as well as with Pittsburg, Louisville, and New Orleans, and it was in these centers that manufacture and commerce first developed in Ohio. Here also naturally the first banks operated in the state were organized. It is noteworthy that of the eight authorized banks organized in Ohio during this period all were located in towns situated either on the Ohio or its tributaries.

Early Manufacturing. — In the early development of manufacturing in Ohio the natural resources of the state were of great advantage. The hard woods of the forests were utilized from the beginning. Desks, tables, and other furniture were being manufactured in Cincinnati as early as 1800, and a few years later plow-making became an important industry there.¹ Before steam navigation began on the Ohio in 1811, Marietta was quite a ship building point, sending to sea, it is said, before the War of 1812, seven ships, eleven brigs, six schooners, and two gun boats.²

¹ Ohio Manufactures — 12th Census Bulletin 154, pp. 10 and 11.

² King's Ohio, p. 308.

In 1804 the first furnace for the manufacture of iron in Ohio was established in the Mahoning Valley.³ And in 1805 a paper mill was built on Little Beaver Creek in the eastern part of the state.⁴

Zanesville, with its falls giving water power, soon developed manufacturing.⁵ The abundance of clay suitable for making coarse pottery and the difficulty of obtaining such products from the Atlantic Coast region early led the farmers of the Muskingum region to begin the manufacture of pottery from the clay on their farms to supply the settlements west of the Alleghanies. These products were sent down the Muskingum to markets on the Ohio River and even to New Orleans.⁶

Every year at the opening freshets, large quantities of flour, bacon, pork, whiskey and the fruits of the country adjacent to the streams were taken in flat boats to New Orleans and the intermediate markets. The starting of these fleets every year was a spectacle of great interest at the towns on the Muskingum, the Scioto, and the Miami.⁷

Besides the towns mentioned above, Steubenville, Lancaster, Chillicothe, and Dayton were important towns for manufactures in those days. In 1810 the manufactures of the state were estimated to amount to nearly \$2,000,000,⁸ but they were chiefly in the southern part of the state. The northwest was still Indian country, while the northeast in general did not acquire much commercial importance until the opening of the Erie Canal and the beginning of the Ohio Canal in 1825, although Warren and Youngstown both on the Mahoning River, early became important towns from their proximity to Pittsburg and their location on the trade route from there to Detroit.

The Miami Country. — The most populous and flourishing part of the state at that time was at the southwest, in the broad and fertile expanse of the Miami Valley. With this im-

³ Ohio Manufactures — 12th Census Bulletin 154, p. 7.

⁴ Ibid, p. 11.

⁵ King's Ohio, p. 339.

⁶ Location of Industries — 12th Census Bulletin 244, p. 18.

⁷ King's Ohio, p. 307.

⁸ Valley of the Mississippi — Timothy Flint, p. 406.

mense agricultural back country and its advantageous location on the Ohio River apposite the mouth of the Licking River, Cincinnati easily gained an ascendancy which made it the leading city in the West for many years.

In 1790 the population of the Miami Country was not over 2,000. In 1800 it was about 15,000. In 1810 the single county of Hamilton contained 15,258, and the Miami Country about 70,000, or one-fourth of the whole population of the state. By 1815 this had increased to about 100,000.⁹ In this important region agriculture and stock raising advanced rapidly. The fertile soil produced immense crops of wheat and corn, and scores of grist mills turned the wheat into flour. The corn was utilized largely in feeding hogs, though many distilleries flourished throughout the region, where the farmers turned their surplus corn into whiskey. Much of this whiskey and flour, together with the pork, bacon, and lard prepared on the farms in winter, found its way to Cincinnati, there to be shipped by the Ohio and Mississippi rivers to New Orleans. As early as 1803 whiskey, beef and pork, and lumber and staves were shipped from Cincinnati to New Orleans by water.¹⁰ It was in connection with this river traffic of Cincinnati that the first bank in Ohio was organized.

The Miami Exporting Company.—The enterprising citizens of the Miami Country were quick to recognize the advantages of association under state authority in the transaction of business. Almost as soon as the State of Ohio was admitted into the Union, Martin Baum, a prominent Cincinnati merchant,¹¹ with several of his business associates, organized a com-

⁹ Picture of Cincinnati (1815) — Drake, p. 169.

¹⁰ Ohio Manufactures — 12th Census Bulletin, No. 154, pp. 8 and 9. The distillation of liquors in Ohio has always been greatest at Cincinnati, where it is favored by the large corn production of Ohio, Kentucky, and Indiana. In 1810, however, distilleries were reported in every one of the 36 counties of the state, producing in all 1,212,266 gallons of whiskey. — 12th Census Bulletin, No. 154, p. 8.

¹¹ The Inquisitor and Cincinnati Advertiser, Oct. 19, 1819. Martin Baum, of high German parentage, early became active in manufacture and trade in Cincinnati and was most influential in attracting German immigration to that city.

pany to facilitate trade, and applied to the Legislature for a charter. As a result the State Legislature at its first session incorporated The Miami Exporting Company on April 15, 1803.¹² The original object of this company was the exportation of agricultural produce, chiefly to New Orleans,¹³ and banking, if purposed at all, was a secondary consideration.¹⁴ Its charter, however, permitted the issue of notes payable to bearer and assignable by delivery only; and the company, which began business operation in 1804, was soon exercising the powers of banking.¹⁵ It issued bills and redeemed them, not in specie, but in the notes of other banks.¹⁶ Thus the Miami Exporting Company became the first bank in Ohio, and perhaps the second west of the Alleghanies.

The first paper-issuing institution west of the mountains, the Lexington Insurance Company incorporated in 1802, is said to have obtained banking privileges surreptitiously. And Gouge in his history of early banking in the United States suggests that, as the title of the Miami Exporting Company indicates that it was established ostensibly for commercial purposes of another nature, perhaps banking privileges were obtained for it surreptitiously, as in the case of the Lexington Insurance Company the year before.¹⁷ Be this as it may, the Miami Exporting Company almost from the first did a banking business, opening an office in Cincinnati for that express purpose. In fact on March 1, 1807 the bank went into full operation, all commercial projects having previously been relinquished.¹⁸

¹² Laws of Ohio, Vol. I. (1803), pp. 126-136.

¹³ A Picture of Cincinnati — Daniel Drake (1815), p. 150.

¹⁴ Banking and Resources of Ohio — Thomas H. Wilson. (In World's Congress of Bankers and Financiers), p. 533.

¹⁵ Laws of Ohio, Vol. I. (1803), p. 135, Sec. 16. Report of Judiciary Committee, Jan. 7, 1837, on the resolution of inquiry into the authority by which the Miami Exporting Company exercised the powers of a banking corporation. — Ohio H. R. Jour. 1837, pp. 188-195.

¹⁶ History of Banking — J. J. Knox, p. 668.

¹⁷ A Short History of Paper Money and Banking in the United States — Wm. Gouge (Cobbett's Ed.), p. 88.

¹⁸ Picture of Cincinnati in 1815 — Drake, p. 150.

The charter of the Miami Exporting Company was granted for a period of forty years, and provided for a board of eleven directors, who were to be chosen annually and one of whom was to be elected president. The authorized capital stock of the company was fixed at \$500,000, divided into shares of \$100 each, payable \$5 in cash at the time of subscribing, and \$45 in produce and manufactures such as the president and directors would receive during the first year, and the remaining \$50 in produce and manufactures from July to March of the following year. The stockholders were to give notice in writing at the Company's office on or before the first day of September following, what kind of produce and manufactures and the probable amount thereof they would deliver, but the president and directors were to designate the times and places of delivery.¹⁹

Not all of the authorized capital was ever paid in. Gouge gives the capital of this company as \$200,000,²⁰ and this agrees with the amount stated in the list of Ohio banks organized before 1812 published in the first issue of the Bankers' Magazine.²¹ In 1811, however, the directors authorized the sale of a large number of additional shares of the capital stock of the company, and November 28 of that year they issued a notice offering these to purchasers with the privilege of taking them either at \$102, to be paid at the time of subscribing, or at \$104, to be paid one-fourth at the time of subscribing, one-fourth in six months, one-fourth in twelve months, and the remaining one-fourth when required by the board, the subscribers, however, to have at least thirty days' notice.²² And Daniel Drake, writing in 1815, says that the capital consisted of \$450,000 paid in by 190 persons, the number of stockholders at that time.²³

It is probable, however, that not all of this \$450,000 was ever actually paid in cash. It was a common practice among

¹⁹ Banking and Resources of Ohio—Wilson, p. 534. Report of the U. S. Comptroller of the Currency, 1876, p. XXV. History of Banking in the U. S.—H. F. Baker (In Bank M.11:165 Sept. '56)

²⁰ A Short History of Paper Money and Banking—Wm. Gouge (Cobbett's Edition), p. 88.

²¹ Bankers' Magazine, Vol. I., p. 119.

²² The Ohio Centinel, Dayton, Ohio, Jan. 9, 1812.

²³ Picture of Cincinnati (1815)—Drake, p. 150.

banks of the period following the War of 1812 to accept what were known as stock notes in payment of subscriptions for stock; that is, after making the first payment or two in cash, the subscriber would be permitted to pay the remainder of his subscription with his own note, which would later be redeemed, if at all, with dividends received from the bank.²⁴ It is likely that a considerable portion of the Miami Exporting Company's \$450,000 capital stock was paid in that way, especially the later issues of that stock. A published balance sheet of the company under date of May 11, 1821 gives the amount of money paid by the stockholders on their shares as \$379,178.²⁵

The Miami Exporting Company continued in the undisturbed employment of its banking powers without question until 1822, when it became unable to progress with its business. From that time until 1834 it engaged in no business but such as was required for adjusting and closing its debts and credits and maintaining its corporate organization. In 1834, however, it was resuscitated, and provision was made for the payment of its stock, the liquidation of its debts, and the redemption of its outstanding notes.²⁶ It then recommenced the business of banking, but was finally compelled to wind up its affairs before the termination of its charter in 1843.²⁷

The Bank of Marietta.—While the Miami Exporting Company was the first to exercise the powers of banking in Ohio, and continued to do a banking business for many years, yet, as we have seen, it was not originally chartered as a bank, properly speaking. The first *regular* bank incorporated in Ohio was established at Marietta. It is not known just when it began business, but its application for a charter in February 1808 indicates that it was already an existing association.²⁸ A charter was

²⁴ Report of Sec'y of Treas. Wm. H. Crawford, Feb. 12, 1820.

²⁵ Liberty Hall and Cincinnati Gazette, May 12, 1821. Gallatin in 1831 listed, among the banks which had failed since 1811, the Miami Exporting Company with a capital stock of \$468,966. See p. 132.

²⁶ Ohio House Journal, 1837, pp. 189-191.

²⁷ The Miami Exporting Company failed Jan. 10, 1842—Knox's History of Banking, p. 676.

²⁸ A History of Banking in all the Leading Nations, Vol. I., p. 59.

granted to the Bank of Marietta on February 10, 1808.²⁹ The main provisions of the law incorporating this bank were the following:

1. Charter to continue until 1818.
2. Capital stock not to exceed 5,000 shares of \$100 each.
3. Directors seven in number, to be elected annually by the stockholders voting in person or by proxy in proportion to number of shares held. Directors must be stockholders and residents of the county. Vacancies to be filled by election by remaining directors.
4. General meeting of the stockholders at the call of the directors, but six weeks' notice must be given in some newspaper.
5. Stock transferable on the books of the company if holder's debts to the bank be paid first.
6. Bank bills obligatory and of credit assignable by endorsement.
7. Power to hold real estate for convenient transaction of its business; also bona fide mortgages and property conveyed for a debt.
8. Trading in merchandise forbidden.
9. Debts must not exceed three times its capital stock.
10. Interest allowed on loans not over 6%.
11. State could subscribe up to one-fifth of the capital stock.

It will be noticed from the above that while a limit was fixed to the amount of capital stock that could be issued, restrictions placed on the transfer of that stock and on the holding of real estate, and limitations specified as to debts contracted and interest rates charged, yet no restriction appears as to note issue and no provision as to note redemption. The evils of unrestricted note issue had not yet become apparent to the Ohio Legislature.

The Bank of Chillicothe.—On Feb. 18, 1808, a week after incorporating the Bank of Marietta, the State Legislature chartered the Bank of Chillicothe with a capital of \$100,000.³⁰

²⁹Laws of Ohio, Vol. VI. (1808), p. 41.

³⁰Laws of Ohio, Vol. VI., p. 83. This capital stock could be increased to \$500,000 by a two-thirds vote of the stockholders.

This bank was located at the town of Chillicothe and the provisions of its charter were much the same as those of the Bank of Marietta, except that the shares of capital stock were payable one-tenth when subscribed and one-tenth at the end of each calendar month thereafter until all were paid, and that no person, firm, or company could hold over forty shares, nor subscribe for more than five shares in one day.³¹

Another clause of the charter provided that the bank should not emit notes payable in bills of credit of the state of Ohio. Here we see an early attempt of the legislature to regulate to some extent the redemption of the notes issued by the bank. In those days specie was a scarce article in Ohio, and the State Treasury was at times in an embarrassed situation for funds to meet the incidental expenses of the state government. Sometime before this an act had been passed by the legislature requiring the auditor of the state to issue bills of specific amounts payable at the treasury with interest. These had assisted in upholding the credit of the state and created a kind of circulating medium which in some degree supplied the place of specie.³² Apparently the banks were taking advantage of these bills to use instead of specie in redeeming their notes.

The Bank of Steubenville.—Attention has already been called to the influence exerted by river valleys in determining the location of Ohio's early population and the growth of its early trade centers. And it will be noticed that of the three banks already mentioned, the first was in the Miami Valley, the second at the mouth of the Muskingum, and the third on the Scioto, the three principal tributaries of the Ohio in the state. The fourth bank chartered in the state was established at Steubenville on the upper course of the Ohio River itself.

The Bank of Steubenville was chartered by the State Legislature on February 15, 1809 with an authorized capital stock of \$100,000.³³ The number of directors was fixed at nine, but they

³¹ The number of directors was increased from seven to nine by an act of the legislature on Dec. 31, 1808—*Laws of Ohio*, Vol. VII., p. 68.

³² Auditor's Report, Dec. 4, 1811—*Laws of Ohio*, Vol. X. (1812). Also Auditor's Report of Dec. 9, 1812, p. 4.

³³ *Laws of Ohio*, Vol. VII. (1809), p. 169.

were allowed no pay unless it was allowed by a general meeting of the stockholders. Stockholders were allowed one vote for each share under ten, one for each two shares above ten up to fifty, one for every five shares above fifty and up to one hundred, and one vote for every ten shares held over one hundred. Stockholders resident in the United States were allowed to vote by proxy. After the first election, shares had to be held three months before the owner could vote. This charter contained a provision allowing the State to acquire stock in the bank, and provided that when the State should own shares equal in number to one-tenth of the whole it should have the privilege of appointing two of the directors. If the State should own less than one-tenth of the shares, however, it was to have proxy to vote as the other stockholders.

Other Banks Chartered.—After the Bank of Steubenville in 1809 no more banks were chartered in Ohio until 1812. In 1811, however, the charter of the United States Bank expired and Congress refused to recharter it. This left the field free for State banks, and they were not slow to take advantage of the opportunity.³⁴ From January 1, 1811 to the close of 1814 the number of banks in the United States increased from 88 to 208, and their capital stock from \$42,610,601 to \$82,259,590, making an addition of nearly \$30,000,000, to the banking capital of the country.³⁵

In Ohio this movement became apparent at once. Several unauthorized banks were established within the state during 1811, and, as we have already seen, the Miami Exporting Company issued a large additional amount of capital stock, which was eagerly taken by the public, though it was offered only at a premium.³⁶ Early in 1812 two more banks were chartered by the Ohio Legislature. A third was incorporated in 1813, and

³⁴ Financial History of the United States—Davis R. Dewey, p. 144. Banks, Banking and Paper Currencies—Hildreth, p. 64.

³⁵ Report of U. S. Comptroller of the Currency, 1876, p. XXXV.

Elliot's Funding System, p. 984—House Exec. Doc. No. 15, 1st Session 28th Congress. Considerations on the Banking and Currency System of the United States—Albert Gallatin (1831), pp. 42 and 44.

³⁶ See page 259.

another in 1814. Thus from 1811 to 1814 the number of incorporated banks in Ohio doubled. During the same period their capital stock increased from \$895,000 to \$1,435,819.³⁷

The names of the new banks chartered in Ohio from 1812 to 1814, together with their location, authorized capital stock, and dates of charter are shown in the following:

<i>Name.</i>	<i>Location.</i>	<i>Capital Stock.</i>	<i>Chartered.</i>
1. Western Reserve Bank..	Warren	\$100,000 ..	Feb. 20, 1812. ³⁸
2. Bank of Muskingum....	Zanesville	100,000 ..	Feb. 21, 1812. ³⁹
3. Farmers' & Mechanics' Bank	Cincinnati	200,000 ..	Feb. 5, 1813. ⁴⁰
4. Dayton Manufacturing Co.	Dayton	100,000 ..	Feb. 11, 1814. ⁴¹

These banks were all chartered by special acts of the legislature, and their charters all extended until 1818. The methods of their organization were about the same, and the provisions of their charters were quite similar. The number of directors varied from seven to thirteen. The charter of the Farmers' and Mechanics' Bank contained a provision which required that one-third of the thirteen directors must be practical farmers and the same proportion practical mechanics.⁴²

In the case of the Bank of Muskingum occurs apparently the first attempt of the legislature to prevent the paying of dividends to stockholders who had not yet paid in all their stock, a clause in that charter providing that persons failing to pay up installments should not be entitled to any dividend. In the charter of this bank also we see the first of the endeavors of the legislature to restrict note issue, as another clause of the charter prohibited the bank from issuing bills to a greater

³⁷ Report of the U. S. Comptroller of the Currency, 1876, p. LXXXV. Report of U. S. Sec'y of Treas. Wm. H. Crawford, Feb. 12, 1820.—In Elliot's Funding System, p. 769.

³⁸ Local Laws of Ohio, Vol. X. (1812), p. 111.

³⁹ Laws of Ohio, Vol. X. (1812), p. 40.

⁴⁰ Laws of Ohio, Vol. XI. (1813), p. 79.

⁴¹ Laws of Ohio, Vol. XII. (1814), p. 162.

⁴² Laws of Ohio, Vol. XI. (1813), p. 81. Picture of Cincinnati in 1815—Drake, p. 151.

amount than three times the amount of capital stock paid in, and made the directors individually liable for any excess above that amount. It was also provided in this charter that the legislature might tax the capital stock of the bank.⁴³

Unauthorized Banking.— In addition to the foregoing banks incorporated by the State Legislature before 1815, there were various other concerns in Ohio carrying on banking business without charters. In 1807 a company known as the Alexandrian Society of Granville had been chartered by the legislature for literary purposes.⁴⁴ It later engaged in the business of banking, though no such privilege was granted in its charter.

A bank was opened at Delaware as early as 1812, but failing to get a charter the next winter it wound up its affairs, redeeming all its notes. During the same year a swindling concern called the Scioto Exporting Company was started in this town by a gang of counterfeiters. It was destroyed by the citizens, however, before it could get a large amount of paper afloat.⁴⁵ Various other unincorporated banks were established in the state after the expiration of the charter of the first United States Bank in 1811, some of which were quite successful.⁴⁶

Several of the chartered banks had existed for some time as unauthorized banks before applying for charters, as in the case of the Bank of Marietta. Thus, too, the Farmers' and Mechanics' Bank had been established in 1812, the year before it was incorporated.⁴⁷ Quite a number also of unauthorized banks existed during the latter part of this period which were later given charters by the legislature in 1816. Thus the Zanesville Canal and Manufacturing Company, which was chartered in 1816, was originally organized in 1812 to build a dam across the Muskingum River and for manufacturing and other purposes.⁴⁸ It later exercised banking powers, however, and was probably the bank referred to by Dr. John Cotton when he vis-

⁴³ Laws of Ohio, Vol. X. (1812), pp. 40-51.

⁴⁴ Laws of Ohio, Vol. V. (1807), p. 62.

⁴⁵ Howe's Historical Collections of Ohio, Vol. I., p. 553.

⁴⁶ See page 263.

⁴⁷ Picture of Cincinnati in 1815—Drake, p. 151.

⁴⁸ Laws of Ohio, Vol. XIV. (1816), p. 293.

ited Zanesville in 1815 and found an "active enterprising population of two or three hundred busy in digging a short canal through rock for water power and factories, to pay the expense of which a private bank was issuing bills which were in good credit".⁴⁹ Another unauthorized concern, the Bank of Cincinnati, was founded in 1814, with shares at \$50 each, 8,800 of which had been sold to 345 persons by 1815, though it had not yet obtained a charter. It was governed by twelve directors chosen annually. Its notes in 1815 were in excellent credit and the dividends had advanced from 6 to 8% during the first year.⁵⁰ This bank also obtained a charter in 1816.

Many other unauthorized banks were established in the state during the years 1811 to 1814, and by the close of the latter year the large amount of notes issued by these institutions had become a matter of concern to the legislature. On February 8, 1815 the legislature passed an act to raise revenue from banks and to prohibit the unauthorized issue of circulating notes.⁵¹ This law, besides levying a tax of 4% on the annual dividends of the banks, prohibited the issue of notes by any one not authorized by law under a penalty of a year's imprisonment and a fine of not over \$5,000, but until January 1, 1818 it was not to apply to banks which began business before January 1, 1815.⁵² It was the first of a long list of laws passed by the Ohio legislature against unauthorized bank notes. In fact it marked the beginning of a war against unauthorized banks and bank currency which Ohio carried on vigorously but with little success during the continuance of state banks issuing currency.⁵³

Condition of Ohio Banks prior to 1815. — No statistics are available regarding loans and discounts, note circulation, specie on hand, profit and loss, etc., of the banks during this period. It is known, however, that the profits of the banks were considerable. As noted above, the dividends of the Bank of Cincinnati

⁴⁹ King's Ohio, p. 339.

⁵⁰ Picture of Cincinnati in 1815 — Drake, p. 151.

⁵¹ Laws of Ohio, Vol. XIII. (1815), p. 152.

⁵² Ibid.

⁵³ A History of Banking in All the Leading Nations, Vol. I., p. 91.
History of Banking — John Jay Knox, p. 669.

are said to have risen from 6 to 8% during the first year of its existence. According to Drake, the dividends of the Miami Exporting Company for several years previous to 1815 had fluctuated between ten and fifteen per cent.⁵⁴ And the Auditor of State in 1813 suggested to the legislature the advisability of investing a portion of the surplus of the state treasury in some of the most productive bank stocks, where it would, he considered, yield an annual income of ten or twelve per cent.⁵⁵

Undoubtedly, also, the banks of Ohio chartered before 1815 maintained excellent credit throughout this period.⁵⁶ They were frequently of service both to the state and to the national governments. When the legislature, desiring to assume the amount of direct tax levied on the state by the United States for the year 1814-15, asked the banks as to loans, it promptly received from six of the banks offers aggregating \$220,000, and verbal assurance of a much larger amount.⁵⁷ During the war the Ohio banks made large issues to aid the military operations of the country; and when the credit of the government funds was so much depreciated as greatly to embarrass the public service, these banks liberally supplied the public agents with credit.⁵⁸

All this led to the issue of large sums of paper, and there was undoubtedly considerable inflation in Ohio at that time; but there was also plenty of specie in the state, and, notwithstanding the fact that within a month after the capture of Washington in August 1814 all the banks of the country suspended except those of New England and a few in the West and South,⁵⁹ the Ohio banks maintained specie payment until within a month or

⁵⁴ Picture of Cincinnati in 1815 — Drake, p. 150. *

⁵⁵ Ohio State Auditor's Report, Dec. 8, 1813, p. 3.

⁵⁶ Legislative Report on Situation and Condition of Banks — House Journal, 1820, p. 415.

⁵⁷ Governor Worthington's Message of Jan. 31, 1815, Respecting Banking Institutions. — Senate Journal, 1815, p. 311.

⁵⁸ Ohio House Journal, 1819-20, p. 415.

⁵⁹ Financial History of the United States — Dewey, p. 145. Money and Banking — Horace White, p. 270. A History of American Currency — Wm. G. Sumner, pp. 62 and 68.

two of the close of the war.⁶⁰ They were finally compelled in self defense to stop paying specie about January 1, 1815, and then it was not long until the mania for inconvertible paper money, already raging in the Middle Atlantic States, passed over the Alleghanies into Ohio and Kentucky.⁶¹

⁶⁰ Ohio Republican (Dayton, O.), Feb. 6, 1815. A Short History of Paper Money and Banking — Wm. Gouge (Cobbett's Edition), p. 88.

⁶¹ Ibid, pp. 88 and 89. Elliot's Funding System, p. 1106.

CHAPTER II.

THE INFLATION PERIOD OF 1815-1817.

Increase of Population. — From 1810 to 1820 the population of the United States increased from 7,239,881 to 9,638,453, a gain of nearly 33 $\frac{1}{3}$ %. Of the five great divisions of the country the North entral Division during this decade showed the most rapid growth, having increased from 293,169 in 1810 to 859,305 in 1820, a gain of 566,136 or 193.1%. More than three-fifths of this increase in the population of the North Central Division was due to the gain in Ohio alone, her population increasing from 230,760 in 1810 to 581,434 in 1820, a gain of 350,674 or 151.9%.

Of Ohio's neighbors, Indiana was growing rapidly, having a population in 1820 of 147,178, but Missouri's population in that year was only 66,586 and that of Illinois 55,211, while Michigan in 1820 contained only 8,896 inhabitants. In 1810 Tennessee had more inhabitants than Ohio, and Kentucky had nearly twice as many; but by 1820 Ohio had outstripped them both, her gain in population during the ten years period being considerably more than both of theirs combined.¹ Most of Ohio's gain during this decade, however, was made before 1817.

Besides a large natural increase in her population during this period,² Ohio, from her position, was enabled to receive and retain the flower of the emigration which was then proceeding from all quarters to the Northwest. The geographical relations of the Atlantic States inclined their people to the sea, but the Embargo Act and other restrictions to trade down to the War of 1812 turned hundreds of their citizens toward the West. "In the winter of 1814," says McMaster, "the exodus from the sea-board states became alarming. Old settlers in Central New York declared that they had never seen so many teams and

¹ Abstract of the Twelfth Census, 1900, p. 33.

² Valley of the Mississippi—Timothy Flint, p. 405.

sleighs loaded with women, children, and household goods traveling westward bound for Ohio, which was then but another name for the West."³ Many more went west during the hard winter of 1816-17.⁴ But from 1817 up to the time of commencing the works of internal improvements in 1825, Ohio's increase from immigration was comparatively at a stand.⁵ Her most rapid increase for the decade was during the speculative period following the War of 1812.

Economic Conditions.—The dull times following the opening of the War of 1812 and the hard times at the close of the war, which caused the large emigration from the sea-board states to the Mississippi Valley, were succeeded by a general revival of commercial activity. Ohio shared in the general improvement of business. The large accession of population which the state received just after the war gave a new impulse to enterprise of every sort. Excessive importations of foreign goods were made. All kinds of improvements were projected, many of which advanced with wonderful rapidity. Prices rose steadily, stimulating speculation; and speculation in land, in town sites, in everything of which the new-comers stood in need was carried to a ruinous excess. Banks increased in all parts of the state and supplied an abundant circulating medium. This removed the one obstacle to the wild speculation in which the community wished to join,—it overcame the scarcity of money,—and speculation ran riot.⁶

Lands rapidly rose in value and speculation in them became a raging epidemic. This was facilitated by the disastrous credit system the United States Government had adopted in the sale of public lands. The Act of Congress of May 10, 1800, which established within the present limits of Ohio four district land offices,—Cincinnati, Chillicothe, Marietta, and Steubenville,—the first in the United States, provided that the public lands

³ History of the United States—McMaster, Vol. IV., p. 383.

⁴ Rise of the New West—Frederick J. Turner, p. 308.

⁵ History of Ohio—Caleb Atwater, p. 319.

⁶ A Preliminary Sketch of the History of Ohio. (In the Revised Statutes of Ohio by Salmon P. Chase, 1833, Vol. I. (Valley of the Mississippi—Flint, Vol. I., p. 179 (1832)).

were to be sold at \$2.00 per acre on the installment plan, a credit of four years being allowed with interest at 6% from date of sale on the last three payments.⁷ Under this system men became loaded with land purchases, expecting to sell to immigrants at a big profit. The credit features of this law were not repealed until 1820, and by June 20 of that year the gross sales of public lands in Ohio were 8,848,152.31, acres amounting to \$17,226,186.95.⁸ And the increase in receipts from public land sales was paralleled by the increase in the issues of bank notes.⁹

Speculation and Inflation in the Mississippi Valley.—These occurrences, however, were not confined to Ohio. The West in general thought itself no longer dependent on New York, Philadelphia, and Baltimore for foreign goods. The steamboat had appeared on the Ohio and the Mississippi, and New Orleans was the port of entry for the Mississippi Valley. The prospect of sudden commercial development joined to the arrival of new settlers brought on an era of the wildest speculation.

The new-comers brought no money. The old settlers had but little. The currency which had never been more than sufficient for the needs of the West, became in the now order of things wholly inadequate for the wants of the people. The cry for money, especially for cheap money, for money that could be borrowed in large sums on the wildest security, was heard on all sides. Banks were multiplied in all the little towns and villages of the West. Their paper not predicated on sound banking principles nor based on capital answered the turn of speculation as long as the excitement of confidence lasted.¹⁰

For several years scarcely a legislature met without establishing new banks. Ohio chartered 20, Indiana 3, Illinois 2, Tennessee 12, and Missouri 2. Missouri also issued loan certificates, and in defiance of the Constitution of the United States made her paper legal tender. Finally, Kentucky in 1818 chartered 46 banks. The history of these Kentucky banks forms

⁷ The Public Domain — Donaldson, p. 201.

⁸ The Public Domain — Donaldson, p. 203.

⁹ See page 386.

¹⁰ Valley of the Mississippi — Flint, Vol. I., p. 179.

one of the most striking chapters in the history of fiat money. Throughout the West a flood of paper money was issued, which the people hurried to borrow, invest, and lose.¹¹

Governor Worthington on the Subject of Banks.—The inflation in the Mississippi Valley began in the latter part of 1815.¹² In November 1815 Governor Worthington of Ohio addressed a letter to the Auditor of State asking his opinion as to the advisability of the State's holding stock in banks, and whether a fund could not thus be established to save excessive taxation.¹³ The Auditor in reply on December 18, 1815, called attention to the fact that the charters of all but one of the authorized banks in the state would expire in 1818, and proposed that the state incorporate as many banks as might be deemed safe, the state to take one-fifth of the capital stock. He suggested that the state might make partial payments for this stock for two years, but in the meantime receive full dividends, which were not to be drawn from the banks but to be applied toward the payment for the stock. At the end of two years, he continued, the amount still due the banks from the state should bear interest at 4%, which should be paid out of the dividends. He judged that in this way the debt could be paid in ten years, and advised that all the banks should make monthly reports to the Auditor of their debts, credits, issues, etc.¹⁴

Governor Worthington was favorably impressed with this idea, and two days later, in his Message of December 20, 1815, he declared that the great increase of banks in Ohio and the extraordinary increase of bank paper as a circulating medium were matters requiring serious attention, especially as many of these banks were aiding in wild schemes of speculation. He stated that the state's only reliance for revenue at that time was on a direct tax on lands, remarked that the strong disposition to create new banks indicated that bank stock yielded considerable profit, and expressed it as his opinion that as the state gave

¹¹ J. B. McMaster in *The Forum*, Vol. XIX, p. 161.

¹² *Hist. Banking All Nations*, 1:89

¹³ *Ohio Sen. Jour.*, 1816, p. 73.

¹⁴ *Ohio Senate Journal*, 1816, p. 76

extraordinary privileges to banks it seemed just that they should reciprocate.¹⁵

The Bonus Law of Feb. 23, 1816. — The state legislature at once acted on these suggestions. On January 27, 1816, it passed another law prohibiting the issue and circulation of unauthorized bank paper, which fixed a penalty of \$1000 for acting as the officer of a bank violating this law and a penalty of three times the amount of the bills or notes issued by any unincorporated bank, made all contracts with such banks void, and provided that no action could be maintained on any bill or note of such banks.¹⁶ This law was not to apply to incorporated banks. A month later, however, on February 23, 1816, the legislature passed the important banking law known as the "bonus law,"¹⁷ an act designed to raise a state revenue from banks and to prevent their future increase.¹⁸

By this law the charters of the existing banks were extended, and six new banks were incorporated with a capital stock of \$100,000 each, to go into operation when 600 shares of \$100 each should be subscribed. By the same act there were also incorporated six of the companies with which the state had been at war in regard to unauthorized banking.¹⁹ The law provided that each of the banks thus incorporated should have thirteen directors; that its books must always be open to the inspection of directors and of persons appointed by the legislature; and that its capital might be increased to \$500,000. Each of the banks, new and old, was to set off to the state one share in twenty-five of its capital stock by September 1, 1816, and to continue to do so as new stock was created and sold. On the state's share of the stock the dividends were to accumulate until the state owned one-sixth of the stock, after which the dividends were to be paid to the state.

¹⁵ Ohio Senate Journal, 1816, p. 73.

¹⁶ Laws of Ohio, Vol. XIV. (1816), p. 10.

¹⁷ Laws of Ohio, Vol. XIV. (1816), p. 77. Also History of Banking in the United States — H. F. Baker (In Bank M. 11:163).

¹⁸ Preliminary Sketch of the History of Ohio — Salmon P. Chase (In his Revised Statutes of Ohio, 1833, Vol. I.).

¹⁹ Ohio Republican (Dayton, O.), Feb. 26, 1816.

No provision was made to pay for the state stock, except that each bank was required to set apart, annually, such a part of its profits as would at the expiration of its charter produce a sum sufficient for that purpose. The consideration for this extraordinary bonus was the extension of the charters until January 1, 1843 of all the banks accepting the provisions of the act by the first Monday of September, 1816; exemption from all other state taxation; and a sort of implied promise that no other banks should be created during the term of their charters, but this was not definite.²⁰

All of the banks chartered in Ohio before 1816, except the Miami Exporting Company,²¹ accepted the provisions of this law before September 1, 1816.²² The names and location of the banks enumerated in the act, the authorized capital stock of each, and the date when each accepted its charter under this law are shown in the following table:

²⁰ *Laws of Ohio*, Vol. XIV. (1816), pp. 77 and 109. *History of Banking*—J. J. Knox, p. 670. *Preliminary Sketch of Ohio* in Chase's *Rev. Stat.*, 1833, Vol. I.

²¹ The Miami Exporting Company did not accept a charter under the act to raise revenue, etc.—*Ohio Sen. Jour.*, 1819, p. 207.

²² *The Inquisitor and Cincinnati Advertiser*, Feb. 1, 1820. Also *Ohio Sen. Journal*, 1820, p. 175.

BANKS INCORPORATED BY THE BONUS LAW OF FEBRUARY 23, 1816.

Name.	Location.	Authorized Capital Stock. ³⁵	Date Charter Accepted. ³⁶
<i>New Banks:</i>			
²³ Franklin Bank of Columbus	Columbus ...	\$100,000	Oct. 30, 1816.
²⁴ Lancaster Bank	Lancaster ...	100,000	Aug. 31, 1816.
²⁵ Belmont Bank	St. Clairsville.	100,000	Aug. 22, 1816.
²⁶ Commercial Bank of Lake Erie	Cleveland ...	100,000	
²⁷ Bank of Mt. Pleasant....	Mt. Pleasant.	100,000	Oct. 10, 1816.
²⁸ Bank of West Union....	West Union..	100,000	Mar. 18, 1816.
<i>Banks previously unauthorized:</i>			
²⁹ Lebanon Miami Banking Co.	Lebanon	200,000	Aug. 24, 1816.
³⁰ Bank of Cincinnati.....	Cincinnati ...	600,000	Aug. 28, 1816.
³¹ Urbana Banking Co.....	Urbana	200,000	Aug. 15, 1816.
³² Columbiana Bank of New Lisbon	New Lisbon..	200,000	July 12, 1816.
³³ Farmers', Mechanics', & Manufacturers' Bank..	Chillicothe ..	200,000	Aug. 16, 1816.
³⁴ German Bank of Wooster.	Wooster	200,000	Aug. 21, 1816.

Most of these banks organized with but a part of their capital stock, and that part was generally paid in on the installment plan. Frequently, however, the bank would extend its capital stock before all the installments of the original capital were paid in. This is illustrated in the following notice which appeared in a Chillicothe paper in 1816.³⁷

²³ Laws of Ohio, Vol. XIV. (1816), p. 77. ²⁴ Ibid. p. 78. ²⁵ p. 79. ²⁶ p. 80. ²⁷ p. 81. ²⁸ p. 82. ²⁹ p. 86. ³⁰ p. 87. ³¹ p. 88. ³² p. 89. ³³ p. 90. ³⁴ p. 92. ³⁵ History of Banking in Ohio—H. F. Baker (In Bank Mag., 11:165).

³⁶ See note (²²) preceding page.

³⁷ Chillicothe, O., Supporter, Aug. 6, 1816.

"Farmers', Mechanics' and Manufacturers' Bank of Chillicothe.

May 2, 1816.

The stockholders of this bank are hereby notified that the second installment of the extended capital stock of said bank will become due on the first day of August next, of \$5 on each share, and the third installment of \$5 on each share on the first day of November next; and the fourth installment of the *original stock* of \$5 on each share will be required on the said first day of November next.

By Order, JOHN P. FESSENDEN, *Cashier.*"

Other Banks Chartered under Provisions of the Bonus Law. — For several years after the passage of the bonus law of February 23, 1816, it was treated as a general banking law.³⁸ Seven more banks were chartered by the Ohio legislature in 1816 and 1817. Of these seven banks, five accepted the provisions of the bonus law. One of these, the Zanesville Canal and Manufacturing Company, was incorporated the next day after the act of February 23, 1816, was passed. The other six were all incorporated in December, 1817, the last being the Little Miami Canal and Banking Company which was incorporated on Dec. 29, 1817, with a capital stock of \$300,000.³⁹ Besides authority to canalize the Little Miami River from the Ohio to Waynesville, this company was given power to carry on manufacturing and banking. A month after the legislature chartered this batch of banks the Bank of Circleville was incorporated January 14, 1818. After that date no more banks were chartered by the legislature for eleven years.

The following table gives the name, location, and authorized capital stock of each of the banks referred to above as incorporated from February 24, 1816 to January, 1818, and also the date of acceptance of charter of each of the five which accepted the provisions of the bonus law:

³⁸ History of Banking in All Nations, Vol. I., p. 92.

³⁹ Laws of Ohio, Vol. XVI. (1817), p. 43. History of Banking in the United States — H. F. Baker (In Bankers' Magazine, Vol. XI, p. 165)

OHIO BANKS INCORPORATED FROM FEBRUARY 24, 1816, TO
JANUARY 14, 1818.

Name.	Location.	Authorized Capital Stock. ⁴⁵	Date Charter Accepted. ⁴⁴
⁴⁰ Zanesville Canal & Manufacturing Co.....	Zanesville ...	\$250,000	Aug. 29, 1816.
⁴¹ Farmers' and Mechanics' Bank of Steubenville..	Steubenville ..	500,000	July 11, 1818.
⁴² Commercial Bank of Scioto	Portsmouth ..	100,000	Dec. 18, 1818.
⁴³ Farmers' Bank of Canton.	Canton	100,000	July 22, 1818.
⁴⁴ Bank of Hamilton.....	Hamilton ...	300,000	July 30, 1818.
⁴⁵ Bank of Gallipolis.....	Gallipolis ...	300,000	
Little Miami Canal and Banking Co.....	Cincinnati ...	300,000	
⁴⁶ Bank of Circleville.....	Circleville ...	300,000	

While most of the banks named above were incorporated under the general banking law of February 23, 1816, to the extent that they filed certificates accepting the provisions of the bonus law, yet they were all chartered by special acts of the legislature and their charters varied considerably in details. Thus in the charter of the Bank of Hamilton it was first provided that the capital stock should be paid up in "money of the United States." And in that of the Bank of Gallipolis it was first provided that the Governor should send a commission to see

⁴⁰ Laws of Ohio, Vol. XIV. (1816), p. 293.

⁴¹ Laws of Ohio, Vol. XVI. (1818), p. 3.

⁴² Ibid, p. 6.

⁴³ Ibid, p. 11. The Farmers' Bank of Canton appears to have been organized as early as January, 1815. Its articles of association, published under date of January 28, 1815, provided for a capital stock of \$100,000, shares \$25, each, 9 directors, total debts not to exceed three times the capital stock paid in, and a charter to continue until January 1, 1835. — See The Ohio Patriot, (New Lisbon), Feb. 15, 1815.

⁴⁴ Laws of Ohio, Vol. XVI, (1818), p. 19.

⁴⁵ Ibid. p. 22.

⁴⁶ Ibid. p. 70.

that \$20,000 was actually in hand half in specie and half in United States Bank notes before the bank should begin.⁴⁷

Of all the banks accepting charters under the bonus law it turned out that very few complied with that section of the law which required semi-annual statements of the financial condition of each bank to be made to the Auditor of State. A committee of the legislature appointed to examine the books of the Auditor relative to the returns of the banks reported January 15, 1820, that twenty-three of them were delinquent in the matter of reports; that they had generally returned statements without regard to time; that some had let a whole year intervene between reports; that some had made returns without the oath or affirmation of the cashier; while others had made no returns since they went into operation. The Commercial Bank of Lake Erie was the only one mentioned in the report as having strictly and literally complied with the section of the law requiring half-yearly reports.⁴⁸

Statistics of Banking Capital. — It will be seen, therefore, that the statistics of banking operations in Ohio during this period, where attainable at all, are not very complete, even for the chartered banks. This lack of banking statistics, however, is by no means confined to Ohio. The same thing is true of the country generally, not only for the years of inflation following the War of 1812, but for the entire period down to 1834.⁴⁹ About the only figures available for the inflation period are those founded on applications made by the banks to the Treasury of the United States under the acts imposing stamp duties.

The total number of state banks in the United States increased from 208 in 1815 to 246 in 1816 while their capital increased from \$82,259,590 to \$89,822,422.⁵⁰ In 1817 the total banking capital in the country (including that of the Second

⁴⁷ History of Banking in All Nations. Vol. I, p. 92.

⁴⁸ Inquisitor and Cincinnati Advertiser, Feb. 1, 1820. Ohio Senate Journal, 1820, p. 175.

⁴⁹ Money and Banking—Horace White, p. 362. Financial History of the United States—Davis R. Dewey, p. 153.

⁵⁰ Report of U. S. Comptroller of the Currency, 1876, p. LXXXV.

United States Bank) was over \$125,000,000. The average dividends on which stamp duties were paid during those years were about 7½%. It was a matter of general notoriety however that the dividends actually paid exceeded that rate. Assuming 10% as the average dividend paid, Secretary Crawford thought that in 1817 the actual capital paid in, instead of being over \$125,000,000, would be found to be about \$94,000,000. Even this amount he considered too high for the active capital. On account of the system in vogue after the War of 1812 of allowing stockholders permanent accommodations at the bank, or of permitting them to pay considerable portions of their stock subscriptions with their own notes, Mr. Crawford estimated the active capital of the banks in 1817 as probably not over \$75,000,000.⁵¹

So far as known at the Treasury the capital of the chartered banks in Ohio increased from \$1,435,819 to \$2,806,737 during the years 1815 and 1816, an increase of nearly 100%. This was the highest point reached before the thirties. By the end of 1817 the amount had fallen to \$2,003,969. During the same two years the number of chartered banks in Ohio more than doubled, increasing from 8 to 21.⁵² As for the unauthorized banks, which continued to spring up in all parts of the state during this period, nothing at all is known as to the amount of their capital, circulation, loans, etc., nor even as to their number. The total amount of notes issued by them, however, was large and added greatly to the inflation of the currency in Ohio at that time.

Suspension and Bank Note Depreciation. — During most of this period there was suspension of specie payments in all parts of the country except in New England, and bank notes were depreciated everywhere. The banks of New Orleans had suspended specie payment in the latter part of April 1814, and some of the banks in Maine also had suspended in the early part of that year.⁵³ About the same time there occurred a bank mania

⁵¹ Elliot's Funding System, p. 734.

⁵² Rept. of Secy. of Treas. Wm. H. Crawford, Feb. 12, 1820. (Elliot's Funding System, p. 769.)

⁵³ Elliot's Funding System, p. 1106.

in Pennsylvania during which the legislature of that state chartered 41 new banks, which were organized on capital consisting chiefly of stock notes.⁵⁴ August 30, 1814, the Philadelphia banks suspended specie payments, followed within a week or two, according to compact it is said, by all the other banks in the Middle and Southern States.⁵⁵ The national government in distress for money at that time and at the mercy of the banks, gave tacit consent to the suspension, which it was said was to continue only during the war.⁵⁶

The banks of Ohio and Kentucky, however, maintained specie payments until about the first of January, 1815, and the Bank of Nashville, Tennessee, until July or August, 1815.⁵⁷ "It must be evident from this," says Gouge, "that if the United States Government had immediately compelled the banks of the great Atlantic cities to redeem the pledge they had given in the preceding August, the western country might have suffered but little from the suspension of specie payments."⁵⁸ But specie resumption did not take place when peace returned. Instead of redeeming their pledge, "the banks, urged on by cupidity, and losing sight of moral obligation in their lust for profit, launched out into an extent of issues unexampled in the annals of folly."⁵⁹ "The years 1815, 1816," says Hildreth, "may be well marked in the American calendar, as the jubilee of swindlers, and the Saturnalia of non-specie paying banks. Throughout the whole country, New England excepted, it required no capital to set up a bank."⁶⁰

The great over-issue of notes which resulted produced depreciation. Notes of the Philadelphia banks were depreciated 16 to 20%, those of the interior of Pennsylvania 25 to 50%, even the notes of the New England banks and a few others

⁵⁴ Money and Banking—White, p. 363.

⁵⁵ Elliot's Funding System, p. 1106.

⁵⁶ The History of Banks—Richard Hildreth, pp. 58 and 59.

⁵⁷ Elliot's Funding System, p. 1106.

⁵⁸ A Short History of Banking—Gouge (Cobbett's Ed.) p. 89.

⁵⁹ Money & Banking—White, p. 363. (Quoted from a report to the Pennsylvania Legislature in 1820, by a committee of which Mr. Raguet was chairman.)

⁶⁰ Banks, Banking, and Paper Currencies—Richard Hildreth, p. 67.

which continued to pay specie were at a discount, "for", says Gouge, "nobody knew how long any distant bank would continue to pay specie. All the banks whose notes were at a discount at New York of less than 5 per cent were understood to pay specie on demand."⁶¹

Notes of the chartered banks in Ohio, which were quoted at 4 to 5% discount in Philadelphia in November and December, 1814, were quoted at 6 to 7% discount on January 2, 1815, 8 to 10% discount on December 4, 1815, and January 1, 1816, 10 to 12% on December 2, 1816, and from 12 to 15% discount on January 6, 1817.⁶² Notes of unauthorized banks in Ohio were quoted in New York at times during this period at a discount of 20 to 25%⁶³.

The depreciation of the bank notes, which formed practically the only currency everywhere except in New England, produced a great rise in prices⁶⁴. Land in Pennsylvania was worth on the average in 1809 \$38 per acre, in 1815 \$150 per acre.⁶⁵ The price of flour in Philadelphia was \$8.60 per barrel in 1814, \$8.71 in 1815, \$9.78 in 1816, and \$11.69 in 1817.⁶⁶ In the West lands rose to double and triple their value.⁶⁷ At Chillicothe, Ohio, wheat was quoted on September 16, 1812 at 62½c per bushel,⁶⁸ on August 3, 1816 it was 75c and corn 37½ to 43c,⁶⁹ while on November 28, 1816 wheat was worth \$1.50 and corn 50c.⁷⁰ The apparent value of all kinds of property suddenly went up and the people imagined they were growing rich never so fast. Meanwhile, the banks were paying enormous dividends.⁷¹

⁶¹ Money and Banking — White, p. 363.

⁶² Elliot's Funding System, p. 1106. See Appendix.

⁶³ History of Banking — Knox, p. 669.

⁶⁴ The History of Banks — Hildreth, p. 60.

⁶⁵ A History of American Currency — Sumner, p. 80.

⁶⁶ Hunt's Merchants' Magazine, Vol. IV, p. 286.

⁶⁷ Valley of the Mississippi — Flint, Vol. I, p. 179.

⁶⁸ Fredonian, (Chillicothe, O.), Sept. 16, 1812.

⁶⁹ The Supporter (Chillicothe, O.), Aug. 6, 1816.

⁷⁰ The Scioto Gazette and Fredonian Chronicle (Chillicothe, O.), Nov. 28, 1816.

⁷¹ The History of Banks — Hildreth, p. 60.

Convention of Ohio Banks at Chillicothe.—As long as the banks could issue notes without having to redeem them, of course they prospered and made large dividends. They were simply exchanging their notes for those of private citizens on condition that the latter should pay 6 to 10% interest and the principal at maturity, whereas the banks paid neither interest nor principal.⁷² As might be expected, therefore, the banks were in no hurry to resume specie payments.

The enactment of the law, April 10, 1816, establishing the Second Bank of the United States, which was expected to lead the State banks in the restoration of the currency to a specie basis, was soon afterward reinforced by the passage of a joint resolution providing that after February 20, 1817, all dues to the United States government must be paid in legal currency, treasury notes, United States Bank notes, or notes of other specie paying banks.⁷³

The banks thus notified to get on a specie paying basis if they desired credit with the government, were reluctant, however, to reduce their loans and contract their circulation to that extent. So in the following summer the banks of the Middle States held a convention and asked that the date set for resumption be postponed, on the ground that the United States Bank could not be organized by that time and that they wished its aid in their efforts to resume.⁷⁴

Likewise the Ohio banks were ready with an excuse for delaying resumption. In response to a circular letter sent out on July 22, 1816, by the Secretary of the Treasury of the United States inquiring as to resumption, delegates from nearly all the chartered banks of Ohio convened at Chillicothe on September 6, 1816 for the purpose of agreeing on some general course respecting the resumption of specie payments. As the result of their deliberations they resolved,—that it would not be safe or prudent for the Ohio banks to resume until the payment of specie became general at the banks of the Atlantic cities; declared that the Ohio banks there represented were

⁷² Money and Banking—White, p. 361.

⁷³ Financial History of the United States—Dewey, pp. 150 and 151.

⁷⁴ Financial History of the United States—Dewey, p. 151.

ready to resume specie payment; and pledged themselves to pay specie for their notes as soon as it should be ascertained that the payment of specie had become general at the banks of the Atlantic cities.⁷⁵ Meanwhile the banks went on issuing more stock and notes and paying more dividends.⁷⁶ In fact, as noted elsewhere, in 1816 the banking capital in Ohio reached the highest amount reported before the 30's. Events were occurring, however, which finally brought about the general resumption of specie payments.

Branches of the United States Bank in Ohio and Resumption of Specie Payment.—Notwithstanding the prophecy of the state banks that the United States Bank could not be organized so soon, it was opened in January 1817. That same month it persuaded the local banks of Philadelphia to agree to resume specie payments on February 21, and specie payments were nominally resumed on the appointed day.⁷⁷

In January 1817 a branch of the United States Bank was established at Cincinnati, Ohio.⁷⁸ And on February 20, 1817 two of the Ohio banks resumed specie payments.⁷⁹ The other chartered banks of Ohio resumed the payment of specie early in the spring of 1817, after receiving assurance from the United States Treasury, it is claimed, that time would be given them until the ensuing season for the redemption of their paper, large amounts of which had been paid to the government for public lands and for internal taxes.⁸⁰

The effect of resumption at once became apparent in the decreased depreciation of bank notes. Notes of the old chartered banks of Ohio, which were quoted in Philadelphia January 6,

⁷⁵ The Ohio Republican (Dayton), Sept. 18, 1816. Niles Weekly Register, Vol. XI, p. 57, (Sept. 21, 1816.)

⁷⁶ The Supporter (Chillicothe, O.), Aug. 6, 1816. The Scioto Gazette and Fredonian Chronicle (Chillicothe, O.), Nov. 28, 1816.

⁷⁷ Money and Banking—White, p. 364. That the resumption of specie payment was only nominal is indicated by the fact that silver remained at a premium at Philadelphia. See Appendix, p. 259.

⁷⁸ Bankers' Magazine, Vol. IX, p. 4.

⁷⁹ History of the United States—J. B. McMaster, Vol. IV, p. 317.

⁸⁰ Liberty Hall and Cincinnati Gazette, Feb. 2, 1819.

at 12 to 15% discount, rose to 6% discount on April 7.⁸¹ In general, however, conditions did not improve much.

In October 1817 another branch of the United States Bank was established in Ohio, this one at Chillicothe.⁸² By this time the public sentiment, which had manifested itself in the fall of 1816 in efforts of the people of both Cincinnati and Chillicothe to secure branches of the United States Bank in those towns,⁸³ was beginning to turn against the Bank. A joint committee of the state legislature, reported December 27, 1817 as to the expediency of taxing the branches in the state.⁸⁴ The report was adverse, but the House rejected it and adopted a substitute report asserting the right of the state to tax the branches, and declaring the expediency of doing so at once.⁸⁵ When the bill imposing such a tax was read, however, it was laid over until December, 1818.⁸⁶

Proposition for a State Bank. — On Dec. 19, 1817, a few days before the above report, the Ohio Legislature, in a committee of the whole was considering the question of passing a general law for incorporating banks, and it appointed a joint committee to inquire into the expediency of inviting the chartered banks to surrender their charters for the purpose of uniting their capital stock into a State Bank with branches at the places which had chartered banks.⁸⁷ This scheme did not then materialize, but during the same month six new state banks were incorporated by the legislature under the provisions of the bonus law of 1816.⁸⁸ These were followed a month later by another, which, however, was the last bank chartered by the Ohio legislature for a period of eleven years.⁸⁹ The Inflation Period was about to give way to a period of reaction.

⁸¹ See Appendix, p. 487.

⁸² Bankers' Magazine, Vol. IX, p. 4. Ohio Watchman (Dayton), Oct. 30, 1817.

⁸³ The Scioto Gazette and Fredonian Chronicle, (Chillicothe), Nov. 28, 1816. Niles Register, Vol. XV, p. 59, (Sept. 19, 1818).

⁸⁴ Ohio House Journal, 1818, p. 144.

⁸⁵ Ibid, p. 308.

⁸⁶ History of the United States — McMaster, Vol. IV, p. 498.

⁸⁷ Ohio Senate Journal, 1818, p. 87.

⁸⁸ See page 276.

⁸⁹ See page 277.

CHAPTER III.

THE CRISIS OF 1818-19.

"The Golden Age of the Western Country." — The prosperity of the speculative period continued in the western country until the middle of 1818. The flood of immigrants after the war of 1812 had increased the amount of transport and given a big impulse to enterprise of all kinds. Steamboat building and town making advanced rapidly. The sale of lands put a lot of money into circulation. Mercantile importations filled the country with foreign goods. Both town and country partook of the advantages of the boom. Industry was rewarded, markets were enlarged, and the products of the country were purchased at liberal prices. The farmers felt with as much force as the mechanic and the merchant of the city the pleasing prosperity of those halcyon days.¹

The many banks which had sprung into existence supplied an abundant currency. "If the months of May, June, July, and August, 1815, were the golden age of Philadelphia," says Gouge, "the first months of the year 1818 were the golden age of the western country. Silver could hardly have been more plentiful at Jerusalem in the days of Solomon, than paper money was in Ohio, Kentucky, and the adjoining regions."² In Zanesville, Ohio, more than 30 kinds of paper were passing from hand to hand. Besides the paper of the various banks, most plentiful of all were the "shinplasters" issued by bridge, turnpike, and manufacturing companies, city and borough authorities, mer-

¹ Valley of the Mississippi — Flint, Vol. I, p. 179. Liberty Hall and Cincinnati Gazette, Jan. 24, 1823. Preliminary Sketch of Ohio (In Chase's Revised Stat., 1833.)

² Gouge's Journal of Banking, Mar. 30, 1842, p. 320.

chants, tavern keepers, and shoeblacks, and ranging in value from 3c to \$2.³

Ohio was not the only state over supplied with banks at that time, however. In 1818 there were 392 banks in 23 states and territories, located as follows:⁴

DISTRIBUTION OF STATE BANKS IN THE UNITED STATES IN 1818.

New Hampshire...	12	Delaware	8	Kentucky	59
Vermont	5	Maryland	25	Tennessee	3
Massachusetts	38	Virginia	17	Louisiana	3
Rhode Island.....	35	North Carolina....	7	Michigan	1
Connecticut	10	South Carolina....	3	Missouri	2
New York.....	42	Georgia	3	District of Colum-	
New Jersey.....	14	Ohio	28	bia	15
Pennsylvania	59	Indiana	3		—

Total No..... 392

The Portsmouth, Ohio, Gazette of August 12, 1818 gives a list of 23 chartered banks in Ohio,⁵ and remarks: "It is supposed that all the above banks have been generally prudently managed; and all, (except the German Bank of Wooster),⁶ are in good credit in their respective neighborhoods, and promptly redeem their notes with specie." It adds, however,—“The notes of all the unchartered banks in this state with the exception of John H. Piatt & Company's Bank, Cincinnati, which are in good credit, and the Bank of Xenia, which are still current in some places, are considered as good for nothing.”

Confidence in the local banks was not destined to continue much longer however. For in the summer of 1818 began the

³ History of the United States—McMaster, Vol. IV, p. 317.

A somewhat similar condition arose in Ohio at a much later date. Early in the Civil War period there sprang up over the state the use of "checks," "tickets," "notes," "orders," etc., for fractional parts of a dollar issued by various counties, cities, villages, associations and individuals, and purporting to be redeemable in current bank notes or government notes when presented in sums of \$5, etc.—Rept. of State Aud. on condition of banks in December, 1862.

⁴ Hist. of U. S.—McMaster, Vol. IV, p. 485.

⁵ Five of those chartered the preceding winter omitted.

⁶ Reported Nov. 1817 as having stopped specie payt.—O. Watchman, Nov. 20, 1817.

crisis in the Mississippi Valley,—a part of the industrial and commercial storm which swept the entire country.⁷ At the beginning of the year 1818 the whole country south and west of New England was enjoying apparently the most enterprising prosperity. Before the year ended it presented a scene of general bankruptcy, confusion, and dismay.⁸

Causes of the Crisis of 1818-19. — The causes of the crisis were complex. An unnatural expansion in trade had succeeded the restrictions caused by the embargo and the war. The foreign commerce of the country had grown from less than \$20,000,000 in the year ending September 30, 1814, to over \$152,000,000 in that ending September 30, 1815, and over \$194,000,000 in that September 30, 1816. In each of these three years the value of imports was about twice that of the exports.⁹ This made it difficult or impossible for the manufacturing industries of the country to get a stable footing after the abnormal growth occasioned by the embargo and the war.

The speculation and high prices promoted by the several years of commercial expansion and excessive banking were succeeded by a contraction of credits and a fall in prices when the banks endeavored to return to a specie basis in 1817. The bank circulation, which in 1815 and 1816 had reached \$110,000,000, was decreased until in 1819 it was only \$65,000,000.¹⁰ This resulted in a ruinous fall in prices. "In no other epoch of the century," says Burton, "is it probable that the fall in prices of commodities and real estate was so marked as in 1818-19."¹¹

The expansion of credits and speculative enterprises had been accompanied by a great increase of luxury and waste. A large part of the people became possessed of the desire to live by speculation instead of by work. The gambling spirit dominated them. There were no reasonable foundations to many of the schemes and no limits to the extravagances of the people.

⁷ History of Banking in All Nations, Vol. I, p. 109.

⁸ The History of Banks — Hildreth, p. 65.

⁹ Crises and Depressions — Theodore E. Burton, pp. 276-7.

¹⁰ Financial History of the United States — Albert Bolles, 2: 329.

¹¹ Crises and Depressions, p. 276.

See also The History of Banks — Hildreth, p. 165.

A fictitious value was given to all kinds of property. Specie disappeared from circulation and all efforts to restore society to its natural condition were treated with contempt.¹²

This unnatural state of things could not last long. Men who contracted debts found, when called upon for payment that the means were wanting. Banks that had made excessive issues found themselves unable at times to redeem their paper on demand, and the currency of course began to depreciate. The tide began to ebb, and things to settle to their natural level. The first indication of this change was the failure of the banks, at first as rare occurrences; but soon these failures became so numerous and common that the paper, except of the banks of Louisiana, Mississippi and a few of the interior banks, became practically worthless.¹³

The Crisis in the West Occasioned by the United States Bank.—The crisis in the west began in the summer of 1818. The immediate cause was the Bank of the United States.¹⁴ The state of the currency and the business of the country determined that the course of exchange should be almost constantly in favor of the east and north, and against the west and south. The western states, having less capital, were in the course of trade generally indebted to the Atlantic seaports. Whether on account of larger purchases of public lands than usual, the excited spirit of enterprise, or whatever cause, it appears that during the years immediately following the opening of the United States Bank the amount of debts due by the west either to the east or to the government, was unusually large. The western branches of the bank as a result discounted too largely.¹⁵

Expansion of Credits by Western Branches.—On account of the course of exchange being in favor of the east and

¹² Financial History of the United States — Dewey, p. 166.

Crises and Depressions — Burton, pp. 275-277.

Money and Banking — White, pp. 365-6.

¹³ Valley of the Mississippi — Flint, Vol. I, p. 179.

Preliminary History of Ohio — Chase (In Revised Statutes of 1833). For Ohio Notes see Appendix, pp. 487, 492.

¹⁴ History of Banking in All Nations, Vol. I, p. 109.

¹⁵ Considerations on the Currency — Gallatin, p. 48.

against the west the western branches could issue their notes without much danger of their returning upon them. Hence they piled up enormous loans. For example, the Cincinnati Branch discounted over \$1,000,000 in October 1817, over \$1,836,000 in June 1818, and \$1,867,383 in November 1818. The Lexington Branch discounted over \$1,600,000 in June 1818 and over \$1,700,000 in November 1818. Similar conditions existed at every western branch.¹⁶

By these large issues of branch notes and of drafts on the parent bank and the eastern branches, western debtors were enabled to pay their eastern creditors; but the debt was merely transferred to the United States Bank, where large balances accumulated against the local banks. The issues also increased the inflation in the west.

Operations of United States Bank Increase Inflation in the West. — "It may perhaps be just to say," says Sumner, "that but for the Bank of the United States the West would never have been drawn into the inflation."¹⁷ This statement seems somewhat too strong in view of the fact that there had been inflation in the west for a year and a half before the United States Bank opened. But the large issues of the western branches certainly did increase the inflation.

As the notes issued by each branch of the United States Bank were redeemable at any other branch or at the parent bank, the large issues of the western branches resulted in draining the capital from the main office and the eastern branches to the western branches. Thus in the spring of 1819, although great curtailments had then taken place, nearly \$6,500,000 of the capital of the bank was distributed among the interior western offices, whereas the whole amount allotted to the offices north and east of Philadelphia was less than \$1,000,000.¹⁸ Then, too, the notes of the western branches which remained in circulation in the west helped to increase the inflation.

Moreover, by extending the loans of the western branches, the United States Bank permitted the state banks to over-trade

¹⁶ The Second Bank of the United States — Catterall, p. 34.

¹⁷ History of Banking in All Nations, Vol. I, p. 109.

¹⁸ Considerations on the Currency — Gallatin, p. 49.

and inflate the currency. For, up until July, 1818, the Bank did not insist on the payment of the balances due from the state banks. The latter always had large balances against them at the western branches, and not being called upon for these balances, they continually inflated their issues and expanded their discounts.¹⁹

The western branches issued their own notes in preference to those of state banks and, whenever possible, delivered drafts on eastern cities to prevent remitting their own notes. The branch notes and drafts thus sent east tended to produce a vacuum in the circulation. This was quickly filled, however, by the notes of local banks, which were readily received by the branches and kept as a fund on which to charge interest to the state banks. By accepting bank notes not apt to be redeemed and making them the circulating medium in the region where issued the United States Bank made the mistake of increasing the very notes least worthy of confidence.²⁰

Sudden Restriction of Credits by United States Bank precipitates the Panic. — In the summer of 1818, however, the United States Bank realized the danger and in order to secure safety made a radical change, restricting its issues, calling on the state banks for the balances due, and adopting the policy of redeeming none of its notes except at the branch where issued. This sudden reversal of policy coming at a time when everything was so inflated burst the bubble and "precipitated the panic, for which, however it was hardly more responsible than was Noah for the flood."²¹

The country was quite unprepared for these measures and they occasioned much suffering and embarrassment. The keenest distress fell upon the west. The conditions there had never

¹⁹ The Second Bank of the United States — Catterall, p. 35.

²⁰ Financial History of the United States, 1789-1860 — Bolles, pp. 323 and 324.

²¹ Second Bank of the United States — Catterall, p. 61.

See also — A Short History of Banking — Gouge, p. 64.

Financial History of the United States — Dewey, p. 152.

Considerations on the Currency — Gallatin, p. 49.

History of Banking in All Nations, Vol. I, p. 109.

Crises and Depressions — Burton, p. 276.

justified the large loans of the United States Bank, and the inflation and overtrading by the state banks had aggravated the evil. Much of the indebtedness in the west had been created by loans to farmers, and was secured only by mortgages on greatly over-valued real estate, which was unsalable during a crisis. In the towns the money borrowed had been expended mostly in permanent improvements and could not be repaid on demand. In fact the borrowers had never expected to pay the notes when they first came due, the usual custom being to renew again and again. Consequently the restrictive orders compelling the payment of debts just when it was most difficult to pay them greatly increased the already keen hostility against the bank.²² The view of the matter taken by almost everybody in 1818-19 was expressed by Gouge thus: "The Bank was saved and the people were ruined."²³

United States Bank calls for Balances due from Cincinnati Banks.—The United States Bank was very sudden in its demands. On July 20, 1818, the parent bank ordered the Cincinnati branch to collect the balances due from the local state banks at the rate of 20% every 30 days. As the balances due from the Cincinnati banks amounted to about \$720,000, this demand meant they were called upon to pay about \$144,000 every month.²⁴ The difficulty was increased when, on August 28, 1818, the Bank issued its orders to the branches to cease receiving each others notes.²⁵ The Cincinnati banks could not pay. In fact in October they owed more than they had in July, although they had tried to redeem their debt, incidentally inflicting distress upon their own debtors who, having neither specie nor bank notes, simply could not pay.

Suspension of Specie Payment by Ohio Banks.—The Cincinnati banks protested vigorously against the action of the United States bank. But the latter, instead of yielding and offer-

²² Second Bank of the United States—Catterall, pp. 61 and 62.

²³ A Short History of Banking—Gouge, p. 71.

²⁴ Nile's Register, Vol. XV, p. 59. (Sept. 19, 1818).

The Supporter, (Chillicothe, O.), Aug. 26, 1818.

A Short History of Banking—Gouge, pp. 64 and 90.

²⁵ Financial History of the United States—Dewey, p. 152.

ing more favorable terms, prohibited the receipt of the notes of the Cincinnati banks. This precipitated a disaster. The three Cincinnati banks suspended specie payment on November 5, 1818.²⁶ Most of the other Ohio banks soon followed.

Niles' Register of December 12, 1818 says: "It is stated that \$2500, per week are required to pay the discounts on monies loaned by the branch of the bank of the United States at Cincinnati. . . . the branch has scarcely any of its notes in circulation and Ohio has been drained of specie. It is a serious enquiry how these discounts are to be paid." The same paper states that many of what were considered the best banks in Ohio had stopped specie payment, and that it was feared that all the rest must follow.²⁷ And in its issue of January 9, 1819 this paper announced that only two or three banks in Ohio were still paying specie, adding also that of the notes of these there were very few in circulation.²⁸ The notes of nearly all the Ohio banks, already below par before the suspension, continued to depreciate more and more, and the paper of several of them became absolutely worthless.²⁹

Notes of Many Ohio Banks refused at State Treasury in Payment of Taxes.—In September 1818 it was stated that the notes of 16 of the chartered banks of Ohio would not be received in payment of the state taxes.³⁰ In Governor Worthington's Message to the Ohio legislature on December 7, 1818, he speaks of the disordered state of the paper currency, the great difficulty the people of the state had in paying and the officers of the state in collecting the taxes, and urges that the legislature designate by law what should be received by the collectors in payment of state and county taxes. He even suggests for the consideration of the legislature the question of the establish-

²⁶ Liberty Hall and Cincinnati Gazette, Nov. 11, 1818.

Second Bank of the United States—Catterall, pp. 62 and 63.

²⁷ Niles' Register, Vol. XV, p. 283.

²⁸ Ibid., p. 361.

²⁹ Preliminary Sketch of Ohio in Chase's Revised Statutes, 1833.

Elliot's Funding System, p. 1106.

Ohio Watchman, (Dayton), Oct. 29, 1818.

See Appendix, p. 487.

³⁰ Niles' Register, Sept. 19, 1818, p. 59.

ment of a state bank to be composed of the banks already incorporated that might be willing to surrender their existing charters and become branches of a state bank, whose paper should be received in payment of taxes. He added, however, that time could determine whether such a bank would lessen the difficulties then felt.³¹ But nothing came of this at that time.

State Bank Notes refused at Cincinnati in payment of Public Land Sales: Chartered Banks ask Repeal of Bonus Law.— In November 1818 the banks were in such a condition that the land agent at Cincinnati was ordered to take nothing but United States notes and specie in payment of land sales. This caused consternation among the banks. The notes of the United States Bank had never circulated in Cincinnati to any great extent, and at that time specie was equally scarce. Brokers were selling it at 20% premium and their stock threatened soon to be exhausted. The result of the edict was, therefore, that the sale of public lands was stopped in that locality.³²

At a meeting of bank delegates from middle and western Ohio it was agreed to petition the legislature to take back their charters and repeal the bonus law of 1816.³³

The committee of the legislature to whom this petition was referred, however, took the ground that capital invested in banking was a proper subject of taxation, and reported that it was not expedient at that time to exempt the state banks from the payment of the bonus.³⁴ Consequently, although Governor Brown in his message to the legislature December 16, 1818, suggested substituting a tax on the real estate of the banks, and a rate on their dividends in place of the bonus,³⁵ the so-called bonus law remained on the statute books until 1825.

Unauthorized Banking in Ohio.— In the petition one of the reasons given by the banks for asking the repeal of the bonus law was that the state had not suppressed illegal banking accord-

³¹ Message printed in Niles' Register, Vol. XV, supplement, p. 87.

³² Liberty Hall and Cincinnati Gazette, Nov. 17, 1818.

³³ History of the United States—McMaster, Vol. IV, p. 488.

³⁴ Ohio Senate Journal, 1818, p. 256.

³⁵ Niles' Register, Vol. XV, Supplement, p. 91.

ing to the promise alleged to have been implied in the provisions of the law of 1816.³⁶ In fact the unauthorized banks had continued to flourish and their numbers had constantly increased. Some of these were in very good repute. Such were,—the Bank of Xenia, whose notes in June 1818 were said to be 2% higher at the banks of Cincinnati than those of any other of the banks of the state except the Miami Exporting Company;³⁷ and the bank of John H. Piatt and Company of Cincinnati, whose notes were only 4½% discount in October, 1818.³⁸ Others, however, like the Owl Creek Bank at Mt. Vernon,³⁹ or the Granville Bank, whose officials John Kilbourn, on November 12, 1818, said he esteemed in their private capacities, but as bank directors he publicly proclaimed to be “a pack of knaves and swindlers,”⁴⁰ issued paper without restriction, never expecting to redeem it at all.

Some of the chartered banks had been established with insufficient capital, with little or no specie, and in places where there was no active trade; but the legislature, as Governor Brown remarked in his message of December 16, 1818, had become more cautious about granting those incorporations.⁴¹ Consequently their number did not increase in Ohio during this period. But the laws against unauthorized banking, though perhaps of some benefit, were far from effective, and did not prevent impositions on a confiding public. The number of unauthorized banks and the amount of their paper in circulation increased continually. “The extravagant number of banks in this as well as other states in addition to the evil of banishing an universal

³⁶ Ohio Senate Journal, 1818, p. 256.

³⁷ Ohio Watchman, (Dayton), June 25, 1818.

During the session of 1818-19 the Bank of Xenia applied to the legislature for a charter, offering to make the stockholders liable in their individual capacity, to forfeit their charter by ceasing to pay specie, and to publish annually a list of officers. The application was made too late in the session, however, to leave time for the granting.—Ohio Watchman, Feb. 25, 1819.

³⁸ Ibid., Oct. 29, 1818.

³⁹ See Niles' Register, Vol. LII, p. 85.

⁴⁰ Ohio Watchman, Dec. 3, 1818.

⁴¹ Niles' Register, Vol. XV. Supplement, p. 91.

medium from common circulation by substituting an excessive quantity of bank notes has rendered it impossible," says Governor Brown in the message referred to above "for citizens to distinguish between genuine and counterfeit."⁴²

Counterfeit Notes, Small Notes, Post Notes, Buying up Notes at Discount, and Tax on Unauthorized Banks.—Counterfeit notes, which had been numerous in the state during the inflation period,⁴³ became still more abundant in 1818 and the years following.⁴⁴ Many of these came from manufactories in Canada. They were too numerous to admit of description.⁴⁵

Notes of very small denominations became quite common. Some of the banks issued post notes. Others indulged in the practice of buying up their own paper at a discount. The legislature was continually passing laws on these subjects, usually in vain however. On February 5, 1819, an act was passed making it unlawful to issue notes payable at a future day, and forbidding the issue or receipt of a note or bill less than \$1.⁴⁶

An act to prohibit the practice of buying and receiving bank notes at a discount was passed February 8, 1819.⁴⁷ It provided that all bank notes should pass at their face value; fixed a penalty of not over \$500 for receiving or paying away notes at a discount; and provided that persons paying away notes at a discount might, on suit, recover the difference. Its lack of success, however, is indicated by its repeal on January 24, 1820.⁴⁸ That this practice was quite common at the time is made plain by an article from the Cincinnati Enquirer quoted in Niles' Register of July 29, 1820.⁴⁹ This article says that there was great excitement at Cincinnati on account of the belief generally entertained

⁴² Niles' Register, Vol. XV. Supplement, p. 92.

⁴³ Chillicothe, Ohio, Supporter, Aug. 16, 1816.

⁴⁴ Liberty Hall and Cincinnati Gazette, Aug. 4, 1818.

Ibid., Sept. 1, 1821.

Niles' Register, Aug. 8, 1819, p. 396.

⁴⁵ Ibid., Vol. XIX, p. 328, Jan. 13, 1821.

⁴⁶ Revised Statutes of Ohio, 1833, (Chase), p. 1067.

⁴⁷ Laws of Ohio, Vol. XVII, (1819), p. 152.

⁴⁸ Revised Statutes, (Chase), p. 1070.

⁴⁹ Page 399.

that those concerned in the Miami Bank were secretly engaged in purchasing up its notes at a very large discount though, as it was also thought, the bank was able to meet its engagements, under a careful management. "If such things have not happened at Cincinnati," proceeds the writer, "they have happened at other places and there is no sort of novelty in them." The bills of the bank alluded to were worth about 25 cents on the dollar in Baltimore.

The same article states that the inhabitants of Springfield, Hamilton County, Ohio, had just held a meeting at which they charged the non-specie paying banks with a design to depreciate their own paper for the purpose of buying it up at very reduced rates.⁵⁰

At the meeting referred to above, resolutions were adopted "to desist from the use of any paper of banks that refuse to discharge promptly the obligations specified on the face of the note," and inviting the people of the Miami country to adopt similar resolutions, for too much forbearance had been indulged in towards the delinquent banks.

On February 18, 1820 an act was passed by the legislature to enforce payment by banks. It also prohibited the issuing of bills payable at a future date.⁵¹ On February 22, 1821, February 22, 1822, and January 28, 1824 acts were passed to facilitate the collection of debts against banks. The last reinforced the prohibition of bills payable at a future date.⁵² The very number of these laws evidences their futility.

The act of February 8, 1819, which taxed the branches of the United States Bank in Ohio,⁵³ was entitled,—"An Act to levy and collect a tax from all banks and individuals, and companies, and associations of individuals, that may transact business in this state without being authorized to do so by the laws thereof."⁵⁴ Besides laying a tax on the United States Bank

⁵⁰ Niles' Register, July 29, 1820, p. 399.

See also Liberty Hall and Cincinnati Gazette, July 1, 1820.

⁵¹ History of Banking—Knox, p. 671.

⁵² Ibid.

⁵³ See page 317.

⁵⁴ Laws of Ohio, Vol. XVII. (1819), p. 190.

branches in the state, this act goes on to say, — "Whereas divers companies and associations of individuals within this state, unauthorized by law, continue in like manner, to do business as bankers and banks, by loaning money and issuing bills, and by trading in notes and bills; and whereas it is just and necessary that such unlawful banking, while continued, should be subject to the payment of a tax for the support of the government." It then provides for a tax of \$10,000 on such banks.⁵⁵ Having failed to abolish unauthorized banks the legislature evidently thought the next best thing would be to get some revenue from them.

The foregoing is interesting, too, on account of the evidence it affords that the hostility against the United States Bank was not at first due wholly to its curtailments nor to its discipline of state banks, but largely to jealousy of it as a foreign institution present without the authority or will of the state, and paying no taxes.⁵⁶

Specie drained from Ohio by the United States Bank. —

The hostility against the United States Bank was increased by the draining of specie from the state through its financial operations. Cincinnati papers were complaining of the scarcity of specie early in November, 1818.⁵⁷ A week later it was stated that two wagons loaded with specie from the branch of the United States Bank at Chillicothe had started for Philadelphia, and it was estimated that this meant from \$120,000 to \$140,000 in specie drawn probably from the state banks of Ohio.⁵⁸ Niles' Register of June 26, 1819 says, "It is estimated that \$800,000 in specie have been drawn from Ohio within the last twelve months for the Bank of the United States."⁵⁹ Gouge, in commenting on this, remarks, "If this be true the wonder is not that only six or

⁵⁵ Revised Statutes of Ohio, 1833, (Chase), p. 1072. Laws of Ohio, 17:190.

⁵⁶ See History of Banking in All Nations, Vol. I, p. 109.

⁵⁷ Liberty Hall and Cincinnati Gazette, Nov. 17, 1818.

⁵⁸ Ibid., Nov. 24, 1818. See also Niles' Register, June 5, 1819, p. 256.

⁵⁹ Page 208.

seven banks in the state paid specie in August, 1819, but that they were not all bankrupt."⁶⁰

Fall of Prices in Ohio and the West. — The effect which the sudden withdrawal of specie by the United States Bank and the discrediting of bank paper had on prices in the western country was very distressing. Prices went very low in Ohio and the west generally.⁶¹ "In the early part of 1819 the price of western produce fell so low," says Sumner, "as hardly to pay the transportation to ports whence they were shipped to foreign markets."⁶² While land suddenly became practically unsalable.⁶³

In November, 1816, wheat was selling at Chillicothe at \$1.50 and corn at 50c per bushel, and people were advised to hold on to their produce as it was likely to go higher yet.⁶⁴ In October, 1818, in the same town, wheat was quoted at 75c a bushel.⁶⁵ In Dayton, Ohio, January 1, 1817 wheat was \$1. per bushel. In October, 1819, it was selling at 62½c per bushel; while in 1821 and 1822 the price went as low as 20c a bushel. In March, 1822, the Dayton prices were: Flour \$2.50 per barrel, whiskey 12½c per gallon, wheat 20c, rye 25c, and corn 12c per bushel, fresh beef 1 to 3c per pound, butter 5 to 8c per pound, eggs 3 to 5c per dozen, and chickens 50 to 75c per dozen.⁶⁶

A letter from a Cincinnati man, July 26, 1820, quoted in a Steubenville paper states that at a marshal's sale a handsome gig and very valuable horse had sold for \$4, an elegant sideboard for \$3, a fine Brussel's carpet and two Scotch carpets for \$3, etc. The writer adds that a man with a little money could make a fortune by attending marshal's and sheriff's sales.⁶⁷ In the fall and winter of 1822 the exports from Cincinnati were valued at very low rates, e. g. — pork 2c a pound, flour \$3 a barrel, and

⁶⁰ Journal of Banking, Mar. 30, 1842, p. 320.

⁶¹ A Short History of Banking — Gouge, p. 91.

⁶² History of Banking in All Nations, Vol. I, p. 111.

⁶³ Valley of the Mississippi — Flint, Vol. I, p. 180.

⁶⁴ The Scioto Gazette and Fredonian Chronicle, Nov. 28, 1816.

⁶⁵ The Supporter (Chillicothe, O.), Oct. 21, 1818.

⁶⁶ History of Montgomery County, Ohio, p. 343. (Pub. by W. H. Beers & Co. Chicago. 1882.)

Dayton Watchman, Apr. 9 and June 18, 1822.

⁶⁷ Western Herald and Steubenville Gazette, Aug. 19, 1820.

whiskey 14c a gallon.⁶⁸ An article in a Portsmouth, Ohio, paper in August, 1821, quotes flour at \$1 per barrel, whiskey at 15c a gallon, sheep and calves at \$1 per head. The writer adds that a bushel and a half of wheat will buy a pound of coffee, a barrel of flour will buy a pound of tea, 12½ barrels will buy a yard of superfine broadcloth, etc., if the farmer will sell his flour, bacon, and whiskey to somebody else and get the cash, but the merchant will not take produce in payment. "This," continues the writer, "is the condition of the western country. This is the prospect of the farmers."⁶⁹

Debt and Distress in the Mississippi Valley. — While the staples of the western country were at these low prices the people were deeply in debt to the United States Government, to eastern merchants, to the local banks, and to one another. The sum due to the government on account of land purchases, exceeded \$22,000,000 in the latter part of 1820. The amount due to the Cincinnati branch of the United States Bank was more than \$2,000,000. While the indebtedness of the western people to one another, to the local banks, and to the eastern merchants would be hard to calculate.⁷⁰

Immense quantities of goods brought into the country by the merchants had been sold on credit, and the debtors had nothing with which to pay. All the specie of the country made its way east to pay for the goods imported. Immigration had stopped, and money no longer came into the country from that source. The notes of the banks had all depreciated and many of them were practically worthless. An immense amount of bank paper perished, not in the hands of the speculators and those who had been active in its issue, for they had foreseen the ruin and had passed the spurious paper on before the panic came, but in the hands of farmers and mechanics who had given full value for the money. It would no longer be received in payment of debts. Credit was at an end, and universal distress prevailed.⁷¹

⁶⁸ Liberty Hall and Cincinnati Gazette, Jan. 21, 1823.

⁶⁹ Scioto Telegraph and Lawrence Gazette (Portsmouth, O.), Aug. 25, 1821.

⁷⁰ Journal of Banking, (Gouge), March 30, 1842, p. 320.

⁷¹ Valley of the Mississippi — Flint, Vol. I. p. 180.

To relieve the public distress the legislature of Ohio passed a law to prevent property from being sold, unless it would bring a certain amount to be fixed by appraisers. But the law failed to accomplish the desired result. Kentucky adopted the relief system to its fullest extent. Indeed, throughout the Mississippi Valley there was liquidation, and relief measures were the order of the day.⁷²

Report of the Select Bank Committee of the Ohio Legislature. — In Ohio the suspension of specie payments by the state banks, the depreciation of their paper, and the hard times followed so closely the demand upon the Cincinnati banks for the balances due the United States Branch Bank that in December, 1818, the lower house of the Ohio Legislature appointed a select committee to investigate and report to the legislature the condition of the state banks and the causes of the existing confusion in the currency.

By February, 1819, this committee had made two reports to the legislature, in which they set forth the condition of nearly all the chartered banks in the state,⁷³ and declared that their investigation led "inevitably to the conclusion, that the establishment and management of the branches of the United States bank within this state, have very largely conduced to the present embarrassment of the circulating medium, and have had a direct effect in producing the recent suspension of specie payments by the state banks."

Recommendations of the Committee. — In view of this the committee recommended the propriety of providing by law that if the branches established within the state should remain there and transact business beyond a certain day, a tax should be assessed and collected of \$50,000 annually upon each branch. The committee also recommended that provision be made by law for simplifying legal proceedings in all cases where banks were a party, and for securing the holders of bank notes against

⁷² *Journal of Banking*, (Gouge), Apr. 13, 1812, p. 329.

History of Banking in All Nations, Vol. I, p. 119.

⁷³ *Ohio House Jour.* 1820, p. 415.

Ohio Watchman, Feb. 11, 1819.

Liberty Hall and Cincinnati Gazette, Feb. 2 and Feb. 16, 1819.

impositions by prohibiting all brokerage on bank paper, especially on the part of debtors to and stockholders in banks. The committee further suggested the propriety of providing by law for the appointment of an attorney general whose duty it should be to cause the law against unauthorized banking to be put in force against all that might have infringed its provisions, and to inquire into the condition of those banks which had refused to report.

Condition of Chartered Banks in Ohio in January 1819. —

The last suggestion above arose from the fact that one-fifth of the twenty-five chartered banks existing in the state at the end of 1818 refused or neglected to report to the committee. Of the twenty banks which did report the statistics were not complete. Many of the reports made did not state exactly the whole accounts of the banks. Some omitted their real estate; some omitted their accounts with other banks, stating in general terms that their accounts were in their favor; while others omitted to state the shares owned by the state, or the amount of surplus funds and undrawn dividends remaining in the bank.

From these various omissions it was impossible to make the whole accounts of the banks balance, there being a difference of about \$100,000 in the total assets and total liabilities. This difference the committee thought to be against the banks. To supply the defects the committee made use of the state auditor's reports and such other information as was available regarding the chartered banks, with the result that they furnished to the legislature considerable data, which, the committee remarks, "cannot be materially erroneous."

According to these statistics, the paid in capital stock of the twenty banks reporting amounted to about \$1,750,000, while that of the five banks which did not report amounted to about \$600,000, making in all about \$2,350,000 capital for the twenty-five chartered banks in Ohio at the beginning of the year 1819.

The note circulation of the reporting banks amounted to about \$1,166,000 and that of the other five banks the committee judged to be about \$170,000, making the entire issue about \$1,336,000. But the twenty banks reporting held among their assets over \$123,000 of the notes of Ohio banks. If this amount

be deducted from the above total, there remains \$1,213,000 as approximately the circulation of Ohio bank notes at that time. Against this the reporting banks held specie to the amount of nearly \$400,000, and the other chartered banks, according to the committee's estimates, held about \$60,000. Thus the twenty-five banks held about \$460,000 in specie against an outstanding circulation of \$1,213,000, or more than one dollar in specie for every three dollars in circulation. This the committee considered as good a condition as that of the United States Bank itself.

Of the debts due to the United States Bank the reporting banks owed about \$694,000, practically all of which was owed to the Cincinnati and Chillicothe branches, except about \$100,000 which was owed by the Bank of Steubenville probably to the Pittsburg branch. As the whole amount due from the Ohio banks to the Cincinnati and Chillicothe branches on October 3, 1818, amounted to \$974,000, the committee figured that the difference between \$974,000 and the \$694,000 due from the twenty banks reporting, or about \$280,000, represented the amount due the United States Bank from the five chartered banks in Ohio which did not report. Most of this \$280,000 the committee judged, was doubtless due from the Miami Exporting Company.

The deposits of the banks reporting amounted to \$268,000, the United States Bank notes on hand amounted to \$34,000, notes of other banks outside the state \$101,000, real estate \$87,000, while their loans and discounts amounted to \$2,944,000, or a little more than the sum of their capital stock and circulation, but somewhat less than the sum of the capital stock, circulation, and deposits. The total resources of the reporting banks amounted to \$3,983,897, and their total liabilities amounted to \$3,985,530. Further details as to the condition of the banks are shown in the following statement of the situation of the Ohio Banks which reported to the Select Committee of the Legislature in conformity to a resolution passed by the Ohio House of Representatives in December, 1818:

STATEMENT OF CHARTERED BANKS IN OHIO — JANUARY 1819.

RESOURCES.

Name of Bank. *	Total Resources.	Bills Discounted.	Specie.	Ohio Notes.	U. S. Bank Notes.	Other Notes.	Due from Ohio Banks.	Due from Other Banks.	Real Estate.	Debit Profit and Loss.
<i>Banks Reporting:</i>										
1 Bank of Cincinnati.....	\$738,109	\$521,505	\$21,701	\$6,070	.....	\$1,204	\$6,094	\$152,082	\$21,846	\$7,607
2 F. & M. Bank of Cincinnati.....	567,698	518,048	26,000	3,650	.....	.....	.....	.....	20,000	.....
3 Franklin Bank of Columbus.....	134,674	87,157	25,026	8,134	\$1,175	1,575	692	4,805	4,200	.....
4 Bank of Chillicothe.....	474,483	285,483	76,782	9,117	.....	5,324	97,792	.....	.....	.....
5 F. & M. Mfg. Bank of Chillicothe	148,271	136,690	5,870	2,030	.....	3,771	.....	.....	.....	.....
6 Z. Canal & Mfg. Co.....	85,421	30,481	10,582	5,795	.....	6,706	.....	.....	31,857	.....
7 Ohioana Banking Co.....	158,067	98,690	19,339	13,387	24,075	2,696	.....	.....	.....	.....
8 Farmers' Bank of Canton.....	78,537	75,162	1,963	1,075	.....	334	.....	.....	.....	.....
9 Belmont Bank of St. C.....	66,982	48,432	16,292	1,230	350	678	.....	475	3,760	.....
10 Lebanon-Miami Banking Co.....	166,278	143,252	11,090	7,701	.....	.....	.....	.....	.....	.....
11 Bank of Mt. Pleasant.....	79,125	52,717	19,764	2,665	3,481	498	.....	.....	3,390	1,435
12 Dayton Mfg. Co.....	185,097	111,272	36,173	9,810	.....	14,140	7,083	1,704	680	.....
13 Lancaster, O., Bank.....	102,837	64,421	29,245	759	.....	6,632	.....	1,100	.....	.....
14 Commercial Bank of Scioto.....	21,818	8,090	4,000	5,406	.....	447	.....	3,885	.....	.....
15 Bank of Steubenville.....	303,157	285,061	9,326	1,145	3,945	3,680	.....	.....	.....	.....
16 Bank of Muskingum.....	209,277	143,375	27,483	15,075	.....	23,344	.....	.....	.....	.....
17 Bank of Hamilton.....	71,433	32,352	15,643	10,781	1,425	2,500	.....	.....	.....	8,732
18 Western Reserve Bank.....	168,102	120,797	27,135	8,000	.....	12,170	.....	.....	.....	.....
19 F. & M. Bank of Steubenville.....	117,414	82,703	10,716	9,607	.....	13,070	.....	.....	1,348	.....
20 Columbian Bank of N. I.....	107,117	96,813	5,395	1,930	.....	3,009	.....	.....	.....	.....
	\$3,983,897	\$2,944,246	\$399,528	\$123,367	\$34,451	\$101,778	\$111,571	\$104,051	\$87,081	\$17,774
<i>Banks Not Reporting:</i>										
1 Commercial Bank of Lake Erie.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
2 German Bank of Wooster.....	.....	.....	\$60,000	.....	.....	.....	.....	.....	.....	.....
3 Bank of Marietta.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
4 Bank of West Union.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
5 Miami Exporting Co.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
			\$459,528							

STATEMENT OF CHARTERED BANKS IN OHIO — JANUARY 1819.
LIABILITIES.

Name of Bank.*	Capital Stock Paid In.	Notes in Circulation.	Debts Due U. S. Bank.	Debts Due Ohio Banks.	Debts Due Other Banks.	Deposits.	Fund to Pay State Bonus.	Credit of Profit and Loss.	Total Liabilities.
<i>Banks Reporting:</i>									
1 Bank of Cincinnati.....	\$216,430	\$230,696	\$195,342	\$13,176	\$1,427	\$7,172	\$1,250	\$3,217	\$738,710
2 F. & M. Bank of Cincinnati.....	154,776	87,000	74,300,000			9,000			550,776
3 Franklin Bank of Columbus.....	51,740	64,404		9,875		10,435			136,454
4 Bank of Chillicothe.....	34,840	76,377		41,872		9,885			475,974
5 F. & M. Bank of Chillicothe.....	99,515	15,672	21,938			6,100			113,283
6 Z. Canal & Mfg. Co.....	79,125	40,250				5,258			124,633
7 Urbana Banking Co.....	49,685	93,346				5,448			148,479
8 Farmers' Bank of Canton.....	33,710	20,393	18,000			3,112			75,215
9 Belmont Bank of St. Clair.....	36,710	29,762				4,415			70,917
10 Lebanon-Miami Banking Co.....	86,191	31,831	33,270			2,000			153,592
11 Bank of Mt. Pleasant.....	32,175	42,439			6	9,001			84,221
12 Dayton Mfg. Co.....	61,340	96,128	8,729	55		19,873		3,069	189,224
13 Lancaster, O., Bank.....	53,745	37,951		296		10,749	320		103,061
14 Commercial Bank of Scioto.....	9,715	4,258				5,258			18,631
15 Bank of Steubenville.....	140,641	36,940	74,100,000			17,448			295,029
16 Bank of Muckingham.....	97,800	90,743	17,565			15,898			222,009
17 Bank of Hamilton.....	22,707	23,799				16,744			63,250
18 Western Reserve Bank.....	65,333	69,658				30,437			166,428
19 F. & M. Bank of Steubenville.....	51,930	40,704				18,366			114,020
20 Columbiana Bank of New Lisbon.....	56,484	34,285				20,853			111,622
	\$1,751,402	\$1,166,638	\$694,845	\$65,272	\$1,433	\$208,052	\$1,570	\$36,316	\$3,985,580

* For full names see page 306.
For location see map, p. 214.
† Approximately.

STATEMENT OF CHARTERED BANKS IN OHIO — JANUARY 1819 — Concluded.

Name of Bank. *		Capital Stock Paid In.	Notes in Circulation.	Debts Due U. S. Bank.	Debts Due Ohio Banks.	Debts Due Other Banks.	Deposits.	Fund to Pay State Bonus.	Credit of Profit and Loss.	Total Liabilities.
<i>Banks Not Reporting:</i>										
1	Commercial Bank of Lake Erie.....	⁷⁰ \$43,797	{ \$170,000	{ \$279,155						
2	German Bank of Wooster.....	25,000								
3	Bank of Marietta.....	71,750								
4	Bank of West Union.....	80,000								
5	Miami Exporting Co.....	379,178								
Total		599,725								
		\$2,351,127	\$1,336,638	\$974,000	\$65,272	\$1,433	\$268,052	\$1,570	\$36,316	\$3,985,530

⁷⁰ Probably due chiefly from the Miami Exporting Company.⁷⁰ Figures for capital stock paid in taken from table on page

The Ratio of Circulation to Capital, and the Proportion of Capital, Circulation, and Deposits to Specie. — A computation based on the foregoing figures for the twenty banks which reported shows an average ratio of 67c of circulation to each dollar of capital stock paid in, \$4.38 of capital stock paid in to each dollar of specie on hand, and \$2.92 of circulation to each dollar of specie; while the proportion of circulation and deposits combined is \$3.59 for each dollar of specie on hand. The ratios for the individual banks are shown in the following table:

Name of Bank.	Proportion of			
	Circulation to capital.	Capital stock to specie.	Circulation and deposits to specie.	Circulation to specie.
1. Bank of Cincinnati.....	1.07	9.97	12.80	10.63
2. Farmers' and Mechanics' Bank of Cincinnati .....	.56	5.95	3.31	3.35
3. Franklin Bank of Columbus.....	1.24	2.07	2.99	2.57
4. Bank of Chillicothe.....	.22	4.53	1.11	.99
5. Farmers' and Mechanics' Manufacturing Bank of Chillicothe.....	.16	16.96	3.71	2.67
6. Zanesville Canal and Manufacturing Company .....	.51	7.48	4.30	3.80
7. Urbana Banking Company.....	1.88	2.57	5.11	4.83
8. Farmers' Bank of Canton.....	.60	17.15	11.96	10.37
9. Belmont Bank of St. Clairsville.....	.81	2.26	2.10	1.83
10. Lebanon Miami Banking Company...	.37	7.80	3.05	2.87
11. Bank of Mt. Pleasant.....	1.32	1.63	2.63	2.15
12. Dayton Manufacturing Company.....	1.57	1.70	3.21	2.66
13. Lancaster, Ohio, Bank.....	.71	1.81	1.67	1.30
14. Commercial Bank of Scioto.....	.47	2.29	2.38	1.06
15. Bank of Steubenville.....	.26	15.08	5.83	3.96
16. Bank of Muskingum.....	.93	3.56	3.88	3.30
17. Bank of Hamilton.....	1.05	1.15	2.59	1.52
18. Western Reserve Bank.....	1.05	2.41	3.69	2.57
19. Farmers' and Mechanics' Bank of Steubenville .....	.74	5.13	5.51	3.80
20. Columbiana Bank of New Lisbon....	.61	10.47	10.32	6.35
Average for 20 banks reporting...	.67	4.38	3.59	2.92

The Distribution of Ohio Banks by Counties, and the Proportion of Capital to Population, January 1819.—In January 1819 the twenty-five chartered banks of Ohio were located in nineteen of the fifty-nine counties of the state. Three of the banks were located in Hamilton County the most populous county of the state, the county which contains Cincinnati; three more banks were found in Jefferson County, where Steubenville is located; two in Ross County, where Chillicothe is the principal town; and two more in Muskingum County, where Zanesville is located. The remaining fifteen banks were scattered throughout as many counties, one to a county. While less than a third of the counties of the state possessed a chartered bank, yet these nineteen counties contained a little over half the population of the state.

The \$2,351,127 of capital stock also was fairly well distributed in proportion to the 581,295 inhabitants of the state, the nineteen counties containing banks having \$7.977 of banking capital per inhabitant, and the entire state \$4.045 per inhabitant. The counties having the largest ratio of capital to population were,—Hamilton with \$23.624 per inhabitant, Ross with \$21.699, Jefferson with \$12.291, and Muskingum with \$9.921.

Further details are shown in the following table:

DISTRIBUTION OF BANKS AND CAPITAL IN OHIO, JANUARY 1819.

Name of Bank.*	County.	Population in 1820.	No. of Banks.	Capital Stock.	
				Paid in.	Per Capita.
Bank of West Union.....	Adams	10,406	1	⁷⁷ \$80,000	\$7.688
Belmont B. of St. Clairsville	Belmont	20,329	1	36,740	1.807
Bank of Hamilton.....	Butler	21,746	1	22,707	1.044
Urbana Banking Company.	Champaign	8,479	1	49,685	5.861
Columbiana Bank of New Lisbon	Columbiana	22,033	1	56,484	2.564
Commercial Bank of Lake Erie	Cuyahoga	6,328	1	⁷⁸ 43,797	6.921
Lancaster, Ohio, Bank.....	Fairfield	16,633	1	53,745	3.231
Franklin Bank of Columbus.	Franklin	10,172	1	51,740	5.087
Bank of Cincinnati.....	Hamilton	31,764	3	216,430	23.624
Farmers' & Mechanics' Bank of Cincinnati				154,776	
Miami Exporting Company..				⁷⁹ 379,178	
Bank of Mt. Pleasant.....	Jefferson	18,531	3	32,175	12.291
Bank of Steubenville.....				140,641	
Farmers' & Mechanics' Bank of Steubenville	Montgomery	15,999	1	54,950	3.834
Dayton Manufacturing Co..				61,340	
Zanesville Canal & Manufacturing Co.	Muskingum	17,824	2	79,125	9.921
Bank of Muskingum.....				97,840	
Bank of Chillicothe.....	Ross	20,619	2	347,840	21.699
Farmers' & Mechanics' Manufacturing Bank of Chillicothe				99,575	
Commercial Bank of Scioto.	Scioto	5,750	1	9,115	1.585
Farmers' Bank of Canton....	Stark	12,406	1	33,710	2.717
Western Reserve Bank.....	Trumbull	15,542	1	66,333	4.268
Lebanon-Miami Banking Co.	Warren	17,837	1	86,491	4.849
Bank of Marietta.....	Washington	10,425	1	⁸⁰ 71,750	6.882
German Bank of Wooster..	Wayne	11,933	1	⁸¹ 25,000	2.095
Total for 19 counties..		294,756	25	\$2,351,127	\$7.977
Total for State (59 counties)		581,295	25	2,351,127	4.045

* For location of towns, see map. p. 244.

⁷⁷ Amount reported in Gouge's Journal of Banking of June 22, 1842, page 403.

⁷⁸ Amount paid in according to Auditor of State's Report of Jan. 3, 1832. House Journal 1832, p. 155.

⁷⁹ Amount paid in according to statement of May 11, 1821, published in Liberty Hall and Cin. Gaz. May 12, 1821.

⁸⁰ Amount given in statement by Secretary of Treasury, Levy Woodbury, Jan. 5, 1836. H. R. Doc. No. 42. 24th Cong. 1st Sess. p. 78.

⁸¹ Amount given in Gallatin's "Considerations on the Currency and Banking Systems of the United States," p. 105.

The proportion of banking capital to population would of course be much increased if statistics of the unauthorized banks were available. The following shows the condition of one of the best of the latter early in 1819:

STATEMENT OF BANK OF JOHN H. PIATT AND CO., CINCINNATI.⁸²

RESOURCES :

Real estate	\$87,994 00
Bills receivable	174,452 14
Drafts on New Orleans.....	68,368 68
Drafts on sundry places and cash on hand.....	49,096 72
Due from individuals.....	17,852 61
Advanced on the steamboat Gen. Pike.....	14,600 00
	<hr/>
	\$412,364 15

LIABILITIES :

Notes in circulation.....	\$242,783 00
Drafts or bills payable.....	64,514 00
Due depositors	19,637 28
	<hr/>
	\$326,934 28
Balance in favor bank.....	85,429 87
	<hr/>
	\$412,364 15
Secured by J. H. Piatt's estate valued at.....	626,302 35

It is impossible to tell from the above statement how much specie is held, but it is evident that it is less than \$50,000, and probably much less. While against this are circulating more than \$240,000 worth of notes and standing nearly \$20,000 worth of deposits. In other words the immediate demand liabilities are over five times the cash on hand! It is therefore, not surprising to see in an issue of the *Watchman* for April 15, a month later, the announcement that the paper of J. H. Piatt is touched with a trembling hand and that some shave it as high as 12½. A year later the same paper quotes these notes as not received in Dayton even at a discount of 75%.⁸³

Depreciation of Ohio Bank Notes.—The unauthorized banks were not the only ones, however, whose notes were greatly depreciated. The notes of the Bank of Cincinnati were as bad as those of the Piatt bank,⁸⁴ and those of several other author-

⁸² Liberty Hall and Cincinnati Gazette, Mar. 2, 1819.

Ohio Watchman (Dayton), Mar. 11, 1819.

⁸³ Ohio Watchman (Dayton), June 20, 1820.

⁸⁴ Ohio Watchman (Dayton), June 20, 1820.

ized banks were but little better. The *Ohio Watchman* of April 1, 1819, says that the stockholders of the Belmont Bank had unanimously agreed that the concerns of that company be closed.

By the middle of May several of the banks were reported to have resumed specie payment, and it was said that their bills would then be received in payment for public lands.⁸⁵ But in August of that year only six or seven of the twenty-five chartered banks of the state were paying specie; the others redeemed their own notes with the notes of other banks or did not trouble themselves about redeeming at all.⁸⁶

The following table taken from the *Detroit Gazette* in November 1819 indicates somewhat, the condition of Ohio bank notes at that time.⁸⁷

CLASSIFICATION OF OHIO BANK NOTES, NOVEMBER, 1819.

1. Bank of Cincinnati.	}	Good.
2. Bank of Lancaster.		
3. Bank of Steubenville.		
4. Farmers' and Mechanics' Bank of Scioto.		
5. Bank of Marietta.		
6. Western Reserve Bank.		
7. Bank of Mt. Pleasant.		
8. Bank of West Union.	}	Decent.
9. Farmers', Mechanics', and Manufacturers' Bank of Cincinnati.		
10. Bank of Columbus.		
11. Bank of Dayton.		
12. Lebanon Miami Banking Company.	}	Middling.
13. Zanesville Canal and Manufacturing Co.		
14. Bank of Urbana.		
15. Bank of Muskingum.		

⁸⁵ Niles' Register, May 8, 1819, p. 179. Also June 5, 1819, p. 256.
Ohio Watchman, May 20, 1819.

⁸⁶ Niles' Register August 14, 1819, p. 405. Also August 28, 1819, p. 434.

History of Banking in All Nations, Vol. I, p. 152.

⁸⁷ Niles' Register, Vol. XVII, p. 186, (Nov. 20, 1819).

- | | |
|---|---------------------|
| 16. Miami Exporting Company. | } Good for nothing. |
| 17. Piatt's Bank. | |
| 18. Bank of Cincinnati. | |
| 19. Farmers' and Mechanics' Bank of Cincinnati. | |

Specie Paying Banks of Ohio in 1820. — In May 1820 the following banks in Ohio were said to be paying specie for their notes: Chillicothe, Lancaster, Marietta, Belmont, Mt. Pleasant, Western Reserve, and two banks at Steubenville. The notes of the rest were generally at 70 to 75% discount. Some of the notes of the Bank of Columbus were sold at that rate in the town of Columbus itself about that time.⁸⁸ In September the situation had not materially changed. At that time it was said that the notes of the Banks of Chillicothe and Lancaster were the only ones in the state taken at the Zanesville land office.⁸⁹

There was a general impression prevailing that the banks had specie enough to redeem their notes but refused to do so for fear of emptying their vaults and causing them to close up business.⁹⁰ The non-specie paying banks were frequently charged with the practice of depreciating their own notes for the purpose of buying them up at very reduced rates.⁹¹ In many cases, banks whose notes were greatly depreciated continued to pay dividends. Thus the Bank of Cincinnati in May, 1819, had declared a dividend of 4% on its capital for the preceding half year.⁹² And Niles' Register of June 2, 1821 reports that the Columbiana Bank of New Lisbon, whose notes were quoted in the state at 33% below par, had just declared a dividend of profits for the preceding six months.⁹³

All these things aroused a good deal of ill-feeling against the State banks. But this was slight compared with the hatred that existed against the United States Bank, which was looked upon by the people as the chief cause of the panic, the deprecia-

⁸⁸ Niles' Register, Vol. XVIII, p. 224. (May 26, 1820).

⁸⁹ Ohio Watchman, Sept. 4, 1820 and Sept. 5, 1820.

⁹⁰ Ohio Watchman, July 11, 1820.

⁹¹ Niles' Register, Vol. XVIII, (July 29, 1820), p. 399.

⁹² Inquisitor and Cincinnati Advertiser, June 15, 1819.

⁹³ Niles' Register, Vol. XX, p. 224.

tion of state bank notes, and the resulting stagnation and distress which continued through 1820. One of the dominating features of that period in Ohio was the war which the legislature, backed by the people, was carrying on against the branches of the United States Bank in the state.

CHAPTER IV.

THE ATTEMPT TO TAX THE BRANCHES OF THE UNITED STATES BANK.

Early State Opposition to the Bank. — From its very beginning the Second Bank of the United States had met with opposition from the states and the state banks. The Indiana constitution of 1816 prohibited the establishment of the branch of any bank chartered outside the state.¹ Taxes on the branches of the United States Bank were laid in one state after another: Maryland led off in February, 1817, with a tax of \$15,000 a year on the Baltimore office; Tennessee followed in November of that year with a tax of \$50,000 on any bank established in that state under any but a Tennessee charter; and in December of the same year Georgia provided for a tax of 31.25c on every \$100 of bank stock employed within the state, a resolution of the legislature later declaring that this tax was intended to apply only to the branches of the United States Bank.²

When the panic of 1818-19 occurred, precipitated, as explained in Chapter III, by the sudden curtailments of the United States Bank, the popular wrath at once fell upon the bank. The constitution of Illinois framed in August 1818, prohibited the existence of any state banks within the state.³ On November 30, 1818, resolutions were adopted in the lower house of Congress demanding an investigation of the bank by a committee of the House.⁴ This committee later reported severely criticizing the bank's management.⁵ In December, 1818, North Carolina laid a yearly tax of \$5,000 upon the Fayetteville branch.⁶ Then

¹ Charters and Constitutions — Ben Perley Poore, Vol. I, p. 509.

² The Second Bank of the United States — Catterall, pp. 64 and 65.

³ Charters and Constitutions — Poore, Vol. I, p. 447.

⁴ Annals of Congress, 15th Congress, 2nd Session, Part I, p. 335.

⁵ Ibid., p. 552. (Jan. 16, 1819).

⁶ Niles' Register, Vol. XV, p. 367.

in January, 1819, Kentucky imposed the largest tax of all, compelling each of the branches in the state to pay annually \$60,000.⁷

Thus the Ohio legislature, which followed Kentucky's example within a month had several precedents for taxing the bank. Moreover, the same thing was strongly advocated in the Pennsylvania legislature, which in 1819 petitioned Congress to take steps towards amending the constitution so as to confine national banks to the District of Columbia.⁸ The question of taxing the branches of the bank was debated also in the legislatures of Virginia⁹ and South Carolina;¹⁰ and DeWitt Clinton, then governor of New York, urged action upon the legislature of that state.¹¹ "It was only the decisions of the Supreme Court in the cases of *McCulloch vs. Maryland* and *Osborn vs. the Bank of the United States*," says Catterall, "which saved the bank. Had it lost either of these cases, there can be no doubt that it would soon have been taxed out of existence in all of the southern and western states."¹²

Report of the Joint Committee of the Ohio Legislature on the Expediency of Taxing the Branches of the United States Bank.—As stated in a preceding chapter, the ill-feeling in Ohio against the establishing of branches of the United States Bank in the state brought forth a resolution of the legislature, as early as December 1817, calling for a report on the expediency of taxing those branches.¹³ This resulted in a joint committee of the two houses of the legislature, whose report, made December 27, 1817,¹⁴ discusses the reasons for and against taxing and declares the bank to be "as subject to a tax as any corporate body could be, if acting under the authority of this state" but concludes that "it would still be impolitic in the legislature of this state being one of the youngest and most highly

⁷ Second Bank of the United States—Catterall, p. 65.

⁸ *Ibid.*

⁹ Niles' Register, Vol. XIV, p. 23, note.

¹⁰ Niles' Register, Vol. XV, pp. 289 and 290.

¹¹ Second Bank of the United States—Catterall, p. 65.

¹² Second Bank of the United States—Catterall, p. 65.

¹³ See Chapter II, p. 284.

¹⁴ Ohio House Journal, 1818, p. 144.

avored in the Union to be among the first to contravene the acts of the general government." The report, therefore, concludes that it would be inexpedient at the time to lay such a tax.

Substitute Report Adopted by the Ohio House of Representatives. — The House, however, rejected this report and on January 19, 1818, adopted a substitute report,¹⁵ the substance of which is as follows: "The states that compose the American Union are independent sovereign states"; their power "to impose taxes is limited by the constitution of the United States." "It is conceded that congress has power to incorporate a bank;" but "the law establishing this bank..... attempts not to confer upon the stock of the company any exemption from taxation, either by the state or by the United States."

"The government of the United States is most clearly but an individual member of this association," in which "the funds of the stranger, the alien and American, the individual and the government are mingled in one common mass and employed for the benefit of all its members..... The constitution of the United States has defined the subjects on which the state sovereignties shall not levy taxes. By the doctrines now set up congress may extend this prohibition at pleasure. They have only to incorporate a company to merchandise and manufacture and become a partner in the trade, and the funds and the business are at once privileged from the profane touch of state legislation."

The United States Bank will control the public funds, and "the value their paper will acquire in the market must enable them to monopolize the commercial business of the country and destroy at their pleasure the credit of our own banks. Their paper will be hoarded and applied to the payment of our foreign debts, instead of obtaining general circulation; and for their discounts for public dues, and in the payment of debts, they will necessarily drain the specie from the vaults of the state banks."

"Whenever the exports of the country are equal to its imports the complaint of a depreciated paper currency will cease.

¹⁵ Ibid., p. 307.

The means by which our debts are changed are nothing but expedients. It is only by liquidating them, that the country can be finally relieved. The discount on Ohio paper in the Atlantic cities is in fact an advantage to the country. It induces the merchant to invest it in produce at home, and seek a market for that produce abroad. It operates as a premium in favor of exportation, and serves greatly to stimulate industry and enterprise. Its natural tendency is to keep money in the country, and send out produce, thus reducing the consumption of foreign articles within a just and proper boundary and checking the propensity to engage in the trade of importation." As a result of the establishing of branches of the United States Bank the merchant "will export produce only as a prospect of great profit is offered to him."

When this report came to a vote, the House voted 48 to 12 that it would be constitutional to tax the branches of the United States Bank within the state, and by a vote of 33 to 27 declared that it was expedient then to do so.¹⁶ But when the bill imposing such a tax was read, final action upon it was postponed until the next session of the legislature in December 1818.¹⁷

Hostility to the Bank Increases in 1818. — Meanwhile the United States Bank, instead of heeding the warning and leaving the state, opened the second branch in Ohio at Chillicothe early in 1818, and in July increased its offences by suddenly ordering the Cincinnati branch to collect at the rate of 20% a month the large balances due from the local banks, thus precipitating the panic, causing the Cincinnati banks to suspend in November 1818, and bringing disaster and ruin upon the people.¹⁸ Consequently when the Ohio legislature came together again in December 1818, the hostility against the United States Bank, which had been keen the previous winter, was vastly augmented.

Governor Brown, in his message of December 16, 1818, recalls the fact that the two branches of the bank had been established within the state without leave, but, after speaking of the different positions which congress at various times had

¹⁶ Ohio House Journal, 1818, p. 308.

¹⁷ History of the United States — McMaster, Vol. IV, p. 498.

¹⁸ See Chapter III, pp. 290 and 291.

taken as to the legality of the bank, advises that while the question remains dubious, the state should leave the branches undisturbed, "rather than risk any collision with the general government or hazard the reputation of the state; keeping a watchful eye to prevent as far as possible, the abuse of what threatens to become an almost overwhelming influence." He adds, however, that while the state banks are taxed, "there appears no evident reason why those branches should be exempt. Their exemption would be a partiality unjust to the local banks."¹⁹

Ohio enacts a Law taxing the Branches of the Bank in the State.— Acting upon the suggestion contained in the governor's message the legislature on Feb. 8, 1819 laid the long threatened tax, passing an act "to levy and collect a tax from all banks and individuals and companies, and associations of individuals, that may transact banking business in this state without being authorized to do so by the laws thereof."²⁰ This law imposed a tax of \$10,000 a year upon individual banking companies not authorized by the state, and a tax of \$50,000 a year upon each branch of the United States Bank within the state if they continued business after September 15, 1819. Upon this date the state auditor was required to issue his warrant for the collection of the tax if the branches were still doing business in the state, and if the bank refused to pay, the auditor was authorized to levy on all money, bank notes, or other goods of the bank.

The Case of *McCulloch vs. Maryland*.— This law was passed with great deliberation and by a full vote, and public sentiment throughout the state supported the legislature in its action.²¹ A few weeks later, however, the decision in the famous case of *McCulloch vs. Maryland* was handed down by the U. S. Supreme Court, Chief Justice Marshall delivering the opinion on March 7, 1819.²² This decided that Congress has the power to incorporate a bank,²³ that the bank had power to establish

¹⁹ Niles' Register, Vol. XV. Supplement, p. 92.

²⁰ Laws of Ohio, Vol. XVII, (1819), p. 190.

²¹ Bankers' Magazine, Vol. IX, p. 4.

²² 4 Wheaton 401.

²³ Ibid., 424.

branches in the states without their consent,²⁴ and that the states had no right to tax them.²⁵ In view of this decision the branches of the bank in Ohio naturally continued their operations.

The State forcibly Collects the Tax from the Chillicothe Branch.—The state law requiring the auditor to collect the tax on September 15 if the bank continued its operations at that time, was mandatory, however, and as the branches of the bank did not suspend their operations the state auditor, Ralph Osborn, prepared to collect the tax. To prevent this the bank filed a Bill in Chancery in the U. S. Circuit Court asking an injunction to restrain the auditor from proceeding to collect the tax. A copy of this bill with a subpoena to answer was served on the Auditor.²⁶ The latter upon legal advice refused to appear on the day named in the writ, and the court allowed an injunction,²⁷ but required \$100,000 bond of the bank, which was given.

As the day for collection approached the bank sent an agent to Columbus who, early on the morning of September 15, served on the Auditor a copy of the petition for an injunction and a subpoena to appear before the court at a subsequent date.²⁸ But as he had no copy of the writ of injunction which had been allowed, the auditor sent to the secretary of state the copy of the petition and the subpoena together with a warrant for collecting the tax, asking the secretary, who was then at Chillicothe, to take legal advice, and if the papers did not amount to an injunction, to have the warrant executed, but if they did to return it.

The counsel advised that the papers did not amount to an injunction; and, therefore, the state writ was given to the sheriff, John L. Harper, with instructions to enter the banking house and

²⁴ 4 Wheaton 425.

²⁵ *Ibid.*, 437.

²⁶ Hist. of U. S. — McMaster, Vol. IV, p. 498.

Niles' Register, Vol. XVII, p. 86.

⁹ Wheaton 738.

²⁷ The writ of injunction was not issued until Sept. 18.

⁹ Wheaton 741.

²⁸ *Ibid.*

demand payment of the tax, and upon refusal thereof to enter the vault and levy the amount required. The officer was directed to use no violence, but if he was opposed by force to go at once before a proper magistrate and depose to the fact. So the officer taking with him a horse and wagon and competent assistants went to the bank on the evening of September 17 and, first securing access to the vaults, demanded the tax. Payment was of course refused and notice given of the injunction which had been granted. But the officer disregarding this notice entered the vault and seized in gold, silver, and bank notes, sufficient funds to cover the amount of the tax on both branches \$100,000. This was carried in the wagon to the Bank of Chillicothe and deposited there over night.²⁹

The next day another writ was issued by the court against the auditor, Osborn, and Harper, restraining them from paying over the money or making report of its collection to the legislature. Harper was on his way to Columbus with the money in the wagon when served with this writ.³⁰ It was also served on Osborn before Harper reached Columbus. The writ was disregarded, however, and though no part of the money ever came into Osborn's hands, Harper retained \$2,000 for fees and paid the balance \$98,000 over to the state treasurer H. M. Curry,³¹ who received it but kept it separate from the other state funds.³²

Arrest and Trial of State Officials concerned in Collecting the Tax. — The United States Bank immediately instituted suits against Osborn and others for contempt, for trespass, and to recover the money seized.³³ Harper and Thomas Orr who

²⁹ Bankers' Magazine, Vol. IX, p. 4.

Auditor of State's Report, Dec. 5, 1821.

⁹ Wheaton 835.

³⁰ ⁹ Wheaton 741.

Ohio Sen. Jour., 1822, p. 54.

³¹ History of the United States — McMaster, Vol. IV, p. 499.

³² Report of State Treas. Sam'l Sullivan, Dec. 4, 1820.

Laws of Ohio, Vol. XIX, (1821).

³³ Second Bank of the United States — Catterall, p. 90.

aided him were arrested by a deputy marshal and imprisoned.³⁴ They were afterwards discharged, however, by the circuit court at the trial in January 1820, the arrest said to have been illegal owing to a technicality. On January 7, 1820, the auditor, Ralph Osborn, was served with a notice that the U. S. Circuit Court had granted a rule against him and John L. Harper to show cause why an attachment should not issue against them for contempt of court in disregarding the injunction. The case was continued until the September 1820 term of court, when Judge Todd ordered the attachment to issue returnable on the first day of the January term of the court in 1821.³⁵ The court also, at the September term, ordered the \$98,000 stayed in the state treasury in the hands of Samuel Sullivan, who had succeeded Curry as state treasurer on February 17, 1820.³⁶ An attachment for contempt was also awarded against Sullivan and he failing to answer was taken into custody by the marshal of the district and placed in confinement until the case was appealed to the Supreme Court in 1821.³⁷

Excitement over the Affair. — Meanwhile excitement ran high over the matter, not only in Ohio but throughout the country generally. And both sides of the controversy found plenty of advocates. The president of the U. S. Bank, Cheves, was furious. "The outrage," he asserted in a letter to Secretary Crawford September 20, 1819, "..... can be rarely paralleled under a government of law, and, if sustained by the higher authorities of the State strikes at the vitals of the Constitution."³⁸ The governor of Ohio did all in his power to have the money restored, even offering to give security for it, but he could accomplish nothing. He declared, "I view the transaction in the

³⁴ Orr afterwards claimed damages from the state for this confinement, and a legislative committee reported Feb. 20, 1824 that they considered his claim just and recommended that he be allowed \$100 and costs. — *Ohio Senate Jour.*, 1824, p. 301.

³⁵ *State Auditor's Report* of Dec. 5, 1820. — *Ohio House Jour.*, 1821, p. 46. Also *History of U. S.* — *McMaster*, Vol. IV, p. 500.

³⁶ *9 Wheaton* 742.

³⁷ *State Auditor's report* of December 5, 1821. — *Ohio Senate Journal*, 1822, p. 53.

³⁸ *Second Bank of the United States* — *Catterall*, p. 89.

most odious light, and from my very soul I detest it. I am ashamed it has happened in Ohio.”³⁹ The *Inquisitor* and *Cincinnati Advertiser* of October 19, 1819 printed numerous extracts from other papers regretting that Ohio in defiance of the U. S. Constitution had entered the vaults of the branch bank at Chillicothe and taken therefrom nearly \$100,000. Another *Cincinnati* paper commenting on the affair about the same time remarks that it “appears to have created as much consternation as if it had been an overt act of treason or rebellion,” but adds, “If the general government can create a monied institution, in the very bosom of the states, paramount to their laws, then indeed is state sovereignty a mere name, ‘full of sound and fury, signifying nothing.’”⁴⁰ In general, public opinion in Ohio at the time supported the state officials for enforcing the state law against the bank.

Ohio Elections in Fall of 1819 influenced by the Bank Fight. — The elections in Ohio that fall were along the lines of the United States Bank fight. One candidate for the State Senate and one for the House came forth with a parody entitled the “Declaration of Independence against the United States Bank,” in which the bank was charged with “having quartered large bodies of armed brokers among them,” etc. This, in conclusion, proclaimed that “all connection between the people of Ohio and the branch banks ought to be dissolved, and that as a free and independent state we have full power to levy a tax upon all banks within our jurisdiction of whatsoever denomination and by whomsoever established,” etc.⁴¹

General Harrison, a candidate for state senator from the *Cincinnati* district declared himself the enemy of banks in general and especially of the United States Bank, which he said he viewed as an institution “which may be converted into an immense political engine to strengthen the arm of the general government and which may at some future day be used to oppress and break down the state governments.” Yet of the Ohio act he said, “Is it not a shoot that has sprung from its far famed

³⁹ History of Banking in All Nations, Vol. I, p. 153.

⁴⁰ Liberty Hall and *Cincinnati Gazette*, Oct. 5, 1819.

⁴¹ Niles' Register, Oct. 30, 1819, p. 139.

Boston opposition, and been matured in the foul mine of the Hartford Convention?"⁴² He was elected.

Hard Times 'increase Hostility to the Bank. — The hard times then prevalent, too, added to the feeling against the United State Bank. All the fine visions of the speculators, the paper-money men, the bank men, had vanished. Bankruptcy and debt were every where. Stay laws, replevin laws, indorsement laws, relief laws of every sort were the order of the day. Nothing was so hateful just then as a bank, and above all the Bank of the United States.⁴³ In liquidation of debts in 1818-19 the United States Bank had been forced to accept a great deal of western real estate, which was taken at low valuations but afterwards increased greatly in value owing largely to the rapid growth of Cincinnati. On account of these real estate acquisitions, the bank came to own a large part of Cincinnati. Hotels, coffee-houses, stores, stables, warehouses, iron-foundries, residences, and vacant lots were numbered among the bank's holdings. It also owned over 50,000 acres of good farm land in Ohio and Kentucky. These possessions of course maddened their former owners.⁴⁴

Report of the Special Committee of the Ohio Legislature. — When the Ohio legislature met in December 1820 the feeling against the United States Bank was at its height. The report of the state auditor, December 5, 1820, in regard to the collection of the tax from the branches of the bank was, upon motion of Mr. Hammond of the House, referred to a joint committee and an investigation was begun.⁴⁵

This special committee made its report on December 12, 1820. This report occupies 33 pages of the House Journal.⁴⁶

⁴² *Ibid.*

⁴³ See article by J. B. McMaster in *The Forum* for April 1895, p. 167.

⁴⁴ Sen. Doc. No. 98, 22nd Congress, 1st Session, pp. 22-36.

Second Bank of the U. S. — Catterall, pp. 66 and 67.

⁴⁵ Ohio House Journal, 1821, p. 47.

⁴⁶ Ohio House Journal, 1821, pp. 99 to 132.

In discussing the litigation against the Ohio Life Insurance and Trust Co., in his report of 1852-3, the auditor of state, Wm. D. Morgan, refers to the Charles Hammond report as "the ablest state paper probably to be found in our legislative records."

Mr. Hammond, chairman of the committee, recites the main facts of the proceedings and adds, "In everything but the name the state is the actual defendant."⁴⁷ The Supreme Court had decided that a state law taxing the branches of the United States Bank was unconstitutional.⁴⁸ As to this Mr. Hammond proceeds, "The committee are aware of the doctrine that the federal courts are exclusively vested with jurisdiction to declare, in the last resort, the true interpretation of the Constitution of the United States. To this doctrine, in the latitude contended for, they can never give assent." They contended that the Federal courts are not the sole expositors of the Constitution but share that power with the states themselves, holding that the question had been settled by an authority from which there can be no appeal—the authority of the people themselves.

As an instance of this they maintained that as early as 1798 the passage of the Alien and Sedition Laws, and certain decisions of the Federal Courts recognizing the obligatory force of the common law, made an expression of popular opinion on this question necessary, and that such an expression was sent forth by Kentucky and Virginia. These famous resolutions, said the committee, were a direct and constitutional appeal to the States and to the people on the great question at issue, and the appeal was decided in the elections of 1800. For then, proceeds the committee, "The states and the people recognized and affirmed the doctrines of Kentucky and Virginia by effecting a total change in the administration of the federal government."

"The high authority of this precedent," says the committee, "imposes a duty on the state from which it can not shrink without dishonor. So long as one single constitutional effort can be made to save them, the state ought not to surrender its rights to the encroaching pretensions of the circuit court."

⁴⁷ On December 22, 1821, a legislative committee to whom had been referred the governor's message relative to the U. S. Bank case reported recommending a resolution that the legislature protest against the proceedings of the federal court indirectly making the state a defendant as violating the 11th Amendment to the U. S. Constitution. — *Ohio Senate Journal*, 1822, p. 118.

⁴⁸ *McCulloch vs. Maryland* — 4 Wheaton 437.

As to the opinion that the decision in the case of *McCulloch vs. Maryland*,⁴⁹ given between the date of the passage of the law and the day it went into effect, made it the duty of Ohio to acquiesce, the committee cited the cases of *Marbury vs. Madison*⁵⁰ and *Fletcher vs. Peck*⁵¹ to show that "neither in theory nor in practice is this the necessary consequence of a decision of the Supreme Court," and said, "Are not these two cases evidence that in great questions of political right and political powers a decision of the Supreme Court is not conclusive of the rights decided by it?"

Recommendations and Resolutions offered by the Committee. — The committee held that with such examples the state should go on in defiance of the Supreme Court "and ascertain distinctly if the Executive and Legislative departments of the Government of the Union will recognize, sustain, and enforce the doctrine of the Judicial department." As a means of testing this they recommend that the legislature should enact laws making the United States Bank an outlaw in Ohio.

The committee also offered resolutions: approving the doctrines of the Kentucky and Virginia Resolutions of 1798-9; asserting the right of a state to tax private corporations of trade chartered by Congress and doing business within the state; declaring that the United States Bank was a private corporation of trade, the capital and business of which might be legally taxed in any state where they might be found; and protesting against the doctrine that the political rights of the separate states and their powers as sovereign states could be settled by the Supreme Court of the United States in cases between individuals and in which no state was a party direct.⁵²

The Ohio Legislature re-affirms the Kentucky and Virginia Resolutions and Outlaws the United States Bank. — The suggestions offered by this joint committee met with the approval of both houses, the legislature adopting the resolutions,

⁴⁹ Delivered Mar. 7, 1819 — 4 Wheaton 401.

⁵⁰ 1 Cranch 137-180.

⁵¹ 6 Cranch 87-148.

⁵² Ohio House Journal, 1821, pp. 99 to 132.

History of the United States — McMaster, Vol. IV, pp. 500 to 503.

which reaffirmed the doctrines of the Kentucky and Virginia Resolutions,⁵³ and on January 29, 1821 passing an "Act to withdraw from the Bank of the United States the protection and aid of the laws of this state, in certain cases."⁵⁴ This law gave the bank the alternative either of consenting to pay 4% of its dividends from its branches in Ohio as a tax to the state, or of withdrawing the offices.⁵⁵

On February 2 of the same year the legislature passed an act providing that the state would return \$90,000 of the \$98,000 seized from the bank and treat its branches like the other banks in the state, if it should give notice to the governor of its willingness to stop the suits against the state officers and to submit to a tax of 4% on its annual dividends, \$2,500 to be collected annually until the bank should report its actual dividends.⁵⁶ If the bank should accept these terms, the governor was authorized to suspend the "outlaw" act by proclamation.

But the bank was inflexible. It neither withdrew its branches from the state, nor discontinued its suits against the state officers. On July 9, 1821 the United States Circuit Court for Ohio served the state auditor with a petition and subpoena in chancery, and an injunction enjoining him from levying and collecting the tax of \$2,500 provided for in the law of February 2, 1821.⁵⁷ The following September the same court decreed that \$100,000, with interest on \$19,380, the amount of specie held by the state treasurer, should be restored to the bank.⁵⁸ The appeal to the Supreme Court was then perfected by the defendants for the \$2000, with the interest and costs, the actual amount turned into the state treasury having been only \$98,000.⁵⁹

⁵³ History of the United States — McMaster, Vol. IV, p. 502.

⁵⁴ Laws of Ohio XIX, (1821), p. 108.

Revised Statutes of Ohio — Chase, p. 1185.

⁵⁵ This act was repealed Jan. 18, 1826 — Laws of Ohio, Vol. XXIV, (1826), p. 24. Chase's Rev. Stat., p. 1592.

History of Banking in All Nations, Vol. I, p. 155.

⁵⁶ Laws of Ohio, Vol. XIX, (1821), p. 173. Chase's Rev. Stat., p. 1198.

⁵⁷ Ohio State Auditor's Report on U. S. Bank Case, Dec. 5, 1821.

⁵⁸ 9 Wheaton 744.

⁵⁹ Niles Register, Vol. XXI, p. 75. Ohio Senate Jour., 1822, p. 53.

And, since the bank had not discontinued its suits nor withdrawn from the state, the law of January 29, 1821 went into effect. Thus in September 1821, the Bank of the United States became an outlaw in Ohio.

What this meant is well described by Professor McMaster thus: "Every jailor was forbidden to receive into his custody any person committed at the suit of the bank, or for any injury done to it. Every judicial officer was prohibited to take acknowledgment of conveyances when the bank was a party, and every recorder from receiving and entering them. Notaries-public were prevented from protesting bills or notes held by the bank and made payable to it; and justices of the peace, judges, and grand juries could no longer take cognizance of any wrong committed on the property of the bank, though it were burglary, robbery, or arson."⁶⁰

The Case of Osborn vs. the United States Bank.— Thus during the pending of the appeal from the circuit court's decision, the bank was deprived for a time of the aid of the state laws in the collection of its debts and in the usual protection of its legal rights. These were extreme measures. But the doctrine of state's rights was still dominant in Ohio. The people of the state looked upon the bank as a foreign corporation organized for profit, doing business within the state against the will of the state, and paying no taxes,—a virtual monopoly within the state yet not subject to state jurisdiction. Why, said they, should the state be expected to protect persons and property over which it had no control, especially when they were not willing to pay anything for such protection?

The controversy between the state and the bank did not end until 1824, when the case of the bank against the state officers, which had been carried up to the Supreme Court of the United States on appeal by the defendants, was finally decided in the famous case of *Osborn vs. the United States Bank*.⁶¹ This case is one of the important ones in the history of the country, as is attested by the large number of court decisions in which it

⁶⁰ The Forum, April 1895. (Article by J. B. McMaster).
Money and Banking—White, pp. 284 and 285.

⁶¹ 9 Wheaton 738-903.

has been cited. Together with the case of *McCulloch vs. Maryland*, decided five years before, it may be said to have established and defined the law of the national banks as agencies of the federal government, their right to sue and be sued in the federal courts, and their freedom from state taxation.⁶²

In this case the state officers were represented by Charles Hammond and others,⁶³ while such men as Clay, Webster, and Sergeant appeared for the bank.⁶⁴ The appellants argued that since in everything but name the state of Ohio was the real defendant, the courts did not have jurisdiction, as the 11th Amendment to the United States Constitution restrained suits against a state by citizens of another state. The court held, however, that the 11th Amendment restraining suits against states is of necessity limited to suits where a state is a party on the record, and that a suit may be maintained to enjoin a state auditor from collecting an unlawful tax, where a state is not made a party on the record, although exclusively interested in the subject-matter of the suit.⁶⁵

The decision in this case also as in the case of *McCulloch vs. Maryland*, denied the right of a state to tax the branches of the United States Bank. The validity of the decision was based on the principle that the bank was not a private corporation for individual trade and profit, but a public corporation created as an instrument for carrying into effect the constitutional powers of the national government. As such, its business of banking and its trade was decided to be exempt from state taxation, although its local property might be taxed,⁶⁶ the court holding that all instrumentalities created by Congress, necessary and proper for carrying into effect the powers vested in the national government are free from state control.⁶⁷

⁶² Notes on U. S. Reports — Rose, Vol. II, p. 338.

⁶³ Hammond's associates were Harper, Brown, and Wright — 9 Wheaton 744 and 804.

⁶⁴ Ibid., 795 and 804.

⁶⁵ 9 Wheaton 857.

⁶⁶ Ibid., 860-867.

⁶⁷ Ibid., 865 and 866.

The opinion of the court in the case of *Osborn vs. the United State Bank* was delivered by Chief-Justice John Marshall on March 19, 1824.⁶⁸ It affirmed the decree of the circuit court as to the return of the \$98,000 by the state and as to the return of the remaining \$2000 by Osborn and Harper, but held that the lower court was erroneous as to the residue, that interest should not be charged on the money while in the hands of the state treasurer, since the court had enjoined him from using it in any way.⁶⁹

The People of Ohio submit to the Decision of the Supreme Court.—By the time this decision had been handed down a reaction had begun in Ohio. The good sense of the plain people had prevailed, notwithstanding the radical declarations of the legislators. The people chose to abide by the decision of the Supreme Court. On January 28, 1826 the law making the Bank of the United States an outlaw in Ohio was erased from the statute books.⁷⁰ And the bank unmolested continued to do business in Ohio until the expiration of its charter in 1836.⁷¹

⁶⁸ 9 Wheaton 816. Justice Johnson dissenting as to jurisdiction.—*Ibid.*, 871.

⁶⁹ *Ibid.*, 837 and 871.

⁷⁰ Revised Statutes—Chase, p. 1522.

⁷¹ The bill to repeal the "outlaw" act was read the third time in the Senate, Jan. 10, having previously passed the House; but the question for its final passage was postponed in consequence of the production of a letter from the agent of the bank to the recorder of Clermont County threatening the officer with prosecution and ruin, if he should not produce the repeal of the act.—*Niles' Register*, Vol. XXIX (Feb. 4, 1826), p. 369.

Immediately thereafter, however, on March 14, 1836, the legislature passed an act "to prohibit within this state any branch office or agency of the United States Bank as recently chartered by the legislature of Pennsylvania," holding that "the general welfare of this State forbids the establishment within its limits of any such branch.—*Laws of Ohio*, Vol. XXXIV. (1836). p. 37.

This act was repealed Jan. 28, 1838.—*Gen. Laws of Ohio*, Vol. XXXVI. p. 14. But a new law of Jan. 9, 1839, prohibited the establishing in the State of any branch or agency of the United States Bank of Pennsylvania or of any other bank incorporated by another State or by the United States.—*General Laws of Ohio*, Vol. XXXVII. p. 10.

This law remained in force until March 12, 1845.—*General Laws of Ohio*, Vol. XLIII. p. 88.

Professor McMaster, in commenting on the outcome of the United States Bank controversy in Ohio and the similar contest in Kentucky, philosophically remarks: "Both in Kentucky and Ohio the cases were extreme; yet they are striking illustrations of the fact that in this country all questions of great importance are finally settled not by Presidents, nor by Congresses, nor by Legislatures of the States, but by the hard common sense of the people, who in their own good time and way have heretofore adjusted all differences wisely."¹²

¹² The Forum, April, 1895, Vol. XIX, p. 168.

CHAPTER V.

PERIOD OF DEPRESSION AND RECOVERY, 1820-1830.

Depression and Low Prices in the Early 20's. — In Ohio the stagnation and distress following the Crisis of 1818-19 continued without relief through 1820 and 1821 and well into 1822. In the latter year some improvement was noticed. Governor Trimble, in his message of December 12, 1822, remarked, "The industry, frugality, and rigid economy so generally observed are gradually relieving the country from embarrassment, and the agricultural, manufacturing, and commercial interests of the State are manifestly improving."¹ The improvement was but slight, however, and did not last long. Prices remained at an extremely low level.² Another Ohio governor writing later of these years declares that business and prices were prostrated "without parallel in the history of this country."³

In the Miami Country, the best farming section of the state, produce sold at minimum prices in the fall and winter of 1822-23, many of the most important articles not paying the farmer more than a fair compensation for taking them to Cincinnati. Pork was sold in large quantities for from one to two dollars per hundred. And it was generally understood in that section that most kinds of provisions shipped from Cincinnati market that season involved almost all the shippers in loss, and some of them in total bankruptcy and ruin. During the fall and winter of 1823-4 but little over half the provisions were shipped from that market that were the year before.⁴ For example, in 1822 over 42,000 barrels of flour were inspected at Cincinnati for export;⁵ while in 1823 the quantity amounted to but 27,206

¹ Liberty Hall and Cincinnati Gazette, Dec. 14, 1822.

² See Chapter III, p. 298. Also Niles' Register, Vol. XXI, p. 381.

³ Governor Shannon's message — Ohio Executive Documents, 1840, No. 1, p. 16.

⁴ Liberty Hall and Cincinnati Gazette, May 18, 1824.

⁵ Valued at \$3 a barrel. — Ibid., Jan. 21, 1823.

barrels.⁶ Niles' Register of October 23, 1824 contains the statement that "Any quantity of corn may be purchased in Cincinnati for 8c per bushel."⁷

In other parts of the state prices were as low or even lower. Thus in Dayton in 1822, flour was \$2.50 a barrel, wheat 20c a bushel, corn 12c, and whiskey 12½c a gallon.⁸ In Delaware in 1823 pork was \$2.50 a hundred.⁹ In Steubenville in 1823, whiskey was 16c a gallon.¹⁰ In Chillicothe in 1823 wheat was 50c a bushel,¹¹ while in January 1824 wheat was 50c, corn 20 and 25c, and whiskey 25 and 30c a gallon.¹² Yet Chillicothe had access by river to the New Orleans market.

Thomas Worthington, writing in 1824, says, "Wheat has varied in price for some years back from 25 to 50c. The average price has not for 5 or 6 years back exceeded 37½c."¹³ And another writer from central Ohio says in 1825, "Many of the farmers of this county (Licking Co.) are turning their attention to the raising of tobacco—to do which they are absolutely compelled, by the reduced price of wheat, which brings them only 31c per bushel."¹⁴ All over the state the prices of produce were very low.

In fact, while on the seaboard there was bank expansion in 1823 and 24 accompanied or followed by a rise of property and general briskness of business, and the expectation of a grand era of prosperity to follow the new tariff law of 1824, yet in the interior the consequences of the great reaction of 1818-19 were

⁶ Cincinnati Daily Gazette, Jan. 4, 1828. This paper also gives the number of barrels inspected for export in 1824 as 29,560 barrels; in 1825 as 45,005 barrels; in 1826 as 45,370 barrels, and in 1827 as 58,551 barrels. There were supposed in the latter year to have been 15,000 barrels not inspected.

⁷ Niles' Weekly Register, Vol. 27, p. 123.

⁸ History of Montgomery County, p. 343.

⁹ Delaware Patron, April 16, 1823.

¹⁰ Western Herald and Steubenville Gazette, Nov. 8, 1823.

¹¹ The Supporter and Scioto Gazette, Nov. 22, 1823.

¹² Ibid., Jan. 10, 1824.

¹³ The Supporter and Scioto Gazette, Sept. 16, 1824.

¹⁴ St. Clairsville Gazette, Sept. 17, 1825.

not over in 1825.¹⁵ In Kentucky there was anarchy yet. Alabama and Tennessee notes were at a discount. Indiana, Illinois, and Missouri were still suffering from the relief system.¹⁶ And in Ohio there was general depression of prices and business.¹⁷

Dullness in Land Sales and Lack of Immigration into the State.—The farmers in Ohio were not purchasing lands as they had formerly done. This was attested by the records of the land offices and the great number of public sales without bidders.¹⁷ Although the credit system of selling the United States public lands had been abolished in 1820, yet the price had at the same time been reduced from \$2 to \$1.25 per acre.¹⁸ But there was much other land in the state at still lower prices. For example, in the Western Reserve land sold as low as 40c an acre.¹⁹ And in 1823 there was an advertisement running in a Chillicothe paper in which 7000 acres of land on the Big Miami and Scioto rivers were offered for 90c an acre cash, or \$1.00 an acre in stock of the Bank of Chillicothe.²⁰

Immigration into the state, which had been unusually large for a few years after the war of 1812, remained comparatively at a standstill during the period from 1818 to 1825.²¹ No figures are available as to the increase in the total population of the state during that period, but the check in the rate of growth may be seen from figures in the state auditor's report showing the number of white males of voting age in the state at four-year intervals. In 1815 the number of white males over 21 years of age in the state was 64,814. From 1815 to 1819 the number increased by 33,966, a gain of 52.5%. During the next four years the increase was 25,855, a falling off of nearly one-

¹⁵ A Short History of Paper Money and Banking—Gouge, p. 136.
A History of American Currency—Sumner, p. 84.

¹⁶ Ibid.

¹⁷ Liberty Hall and Cincinnati Gazette, May 18, 1824.

¹⁸ The Public Domain—Thomas Donaldson, pp. 201 and 205.

¹⁹ Ibid., p. 202.

²⁰ The Supporter and Scioto Gazette, Nov. 29, and Dec. 13, 1823.

²¹ History of Ohio—Atwater, p. 349.

fourth. While from 1823 to 1827 the increase was only 21,110, or more than a third less than the increase from 1815 to 1819.²²

Bad Banking and Depreciation of Ohio Bank Notes not the chief Cause of the Depression. — The continuance of the depression in Ohio so long after the crisis of 1818-19, however, was not altogether due to defective banking nor to a depreciated currency. In fact, most of the banks had failed or disappeared. By 1826 there remained only 10 banks whose notes were current throughout the state.²³ And, while the notes of the Ohio banks had all this time been at a discount, yet the amount of their depreciation had gradually decreased. Thus Ohio banks notes quoted from 15 to 25 discount in Philadelphia in July 1820, were 5 to 10 discount in July 1821, 6 discount in July 1822 and 1823, 5 to 6 discount in April 1824 and 1825, and only 5 discount in April 1826.²⁴

A Cincinnati paper in 1824, commenting on the depression of prices and business that for several years previous had prevailed in the state, exclaims, "Is it to be attributed to the operation of banks and depreciated currency? No! for our banks, so long blamed as the cause of all our evils, are swept away, and our currency is sound and healthful."²⁵ The paper then points out that great trouble with Ohio at that time was the want of a market for the surplus produce of the state. And this diagnosis of the case was undoubtedly correct.

²² Number of white males over 21 years of age in Ohio at different periods:

<i>Year.</i>	<i>Number.</i>	<i>Year.</i>	<i>Number.</i>
1807	31,308	1827	145,745
1815	64,814	1831	176,300*
1819	98,780	1835	235,225
1823	124,635		

* Estimated. Figures from several counties missing.

Auditor of State's Report, Dec. 31, 1855. Ohio Exec. Doc., 1855. (Part II, No. 1.)

²³ Ohio Gazetteer for 1826 — Kilbourn, p. 231.

²⁴ See Appendix, p. 260.

²⁵ Liberty Hall and Cincinnati Gazette, May 18, 1824.

See also the issue of this paper for Jan. 24, 1823.

For further testimony that the currency of the state was sound at that time see *The Piqua Gazette* of March 5, 1825.

Lack of Markets for the Surplus Products of the State. —

The state was still largely wilderness, and its half a million inhabitants²⁶ were widely scattered, with little means of communication. Agriculture was carried on, but as there was no access to markets, production was limited chiefly to local needs. Of manufacturing there was but little, and of mining less. The few inhabitants living along Lake Erie in the northeastern part of the state carried on some trade with Canada and the Atlantic Coast by way of the Lakes. Those in the southern and southwestern parts of the state had access by the Ohio and the Mississippi rivers to the fluctuating market of New Orleans. This was likely to be overstocked when the shipper from Ohio got there, especially at the time of the year when he could pass the falls of the Ohio. To leave his property, meant to abandon it to destruction; to wait for higher prices was to incur the dangers of an unhealful climate. He frequently had to ship his produce home again or sell it at a sacrifice, often at a price which would not pay the freight and charges.

The interior of the state was almost deprived of a market. Different sections of the state had been settled by people from different ones of the older states. Each section had its peculiarities and prejudices brought by its first settlers. Lack of communication prevented the different parts of the state from being closely bound together, either socially, politically, or industrially. Each section was a community unto itself. There was but little stimulus to industry when production was limited to local consumption, as any surplus could not be marketed because the costs of transportation were too great. There were some local roads, but they were bad; and railroads and steam locomotives were not yet thought of. The products of the soil were bulky and thus more costly to transport. So the burden was greatest on articles of common use. What people had to sell they could not market, and what they wished to import they had to deprive themselves of, all because the costs of transportation were excessive.

²⁶ Population 581,431 in 1820. — Abstract of 12th Census, p. 33. Estimated population 750,000 in 1825. — The Piqua Gazette, March 5, 1825.

Opening of the Erie Canal and Beginning of the Ohio Canals in 1825.—Two events in 1825 aided greatly in changing these conditions and starting Ohio well on the way to prosperity. One of these was the opening of the Erie Canal through New York between Lake Erie and the Hudson River, giving Ohio access at once to the markets of New York City and the Atlantic coast region; the other was the beginning of Ohio's own canal system, connecting Lake Erie with the Ohio River.

The "Act to provide for the Internal Improvement of the State of Ohio by Navigable Canals" was passed by the legislature by a vote of 92 to 15 on February 4, 1825.²⁷ This provided for two canals, one 308 miles long, passing through the northeastern, central, and south central portions of the state and connecting Cleveland on Lake Erie at the mouth of the Cuyahoga with Portsmouth on the Ohio at the mouth of the Scioto, and the other 66 miles long, traversing the southwestern part of the state and connecting Dayton on the Great Miami River with Cincinnati on the Ohio.²⁸ By July of the same year the work of construction had begun on both these canals,²⁹ and two years later navigation began on both of them.³⁰

Industrial and Social Awakening in the State.—The canals authorized by this act were not completed, however, for half a dozen years more.³¹ These canals ultimately, by pro-

²⁷ Ohio Senate Journal, 1825, p. 254. House Journal, 1825, p. 318. Laws of Ohio, Vol. XXIII (1825), p. 50.

²⁸ The latter canal was ultimately extended from Dayton to Toledo, thus making two canals across the state connecting Lake Erie with the Ohio River.

²⁹ Fourth Report of the Ohio Canal Commission, Dec. 10, 1825.

³⁰ Governor Trimble's Message of Dec. 4, 1827.

Sixth Annual Report of the Canal Commission, Jan. 25, 1828.

³¹ Eleventh Annual Report of the Canal Commission, Jan. 22, 1833. Later extensions and branches increased the state's canal system until when completed in 1847 it consisted of over 800 miles of canals and slack-water navigation. To feed these canals the state also constructed five reservoirs whose areas totaled over 32,900 acres. The total cost of the canals and reservoirs was over \$15,000,000, which was paid primarily by state loans.

Tenth Annual Report Board of Public Works, Jan. 5, 1847. Report of Board of Public Works, Dec. 22, 1903, pp. 8 and 9.

viding means of transportation and communication, added new markets and new avenues of trade, raised the prices of home products, and rendered cheaper the foreign articles, thus saving to the people of the state both on their exports and their imports.³² The large expenditures for construction of the canals, too, at once encouraged enterprise and industry and invited immigration and capital. The following quotation from the *Cleveland Herald* in July 1826 illustrates this point: "Upwards of 2000 laborers and about 3000 teams are constantly employed on the line between this place and Kendall, which is now under contract; and work to the amount of between 40 and \$50,000 at contract prices, is performed monthly."³³ Other portions of the work showed similar conditions. Both wages and the price of provisions began to rise along the canals.

At first, beside board, the contractors provided their workmen with whiskey. "The whiskey consumed by the hands employed on a single job near the Licking Summit on the Ohio and Erie Canal cost the contractor the sum of \$3,000. In other cases the whiskey consumed by the laborers cost more than the bread or meat."³⁴ The practice of supplying whiskey to their men was later discontinued by the contractors, but the price of potatoes, wheat, corn, whiskey, etc., continued to advance along the canals.³⁵

The demand for labor increased immigration. New towns and villages sprang up along the canals, and old ones took on new life. The city of Akron owes its origin to the settlement there in 1825 of Irish workmen engaged on the canal. Cleveland was only a village of 400 inhabitants in 1820. The opening of the Ohio and Erie Canals made it a city. Cincinnati's population in 1820 was 2,602.³⁶ In 1829 it was estimated at 24,000.

³² For a discussion of the benefits of the Ohio Canals see *History of Ohio Canals* by Huntington & McClelland, Chapter XI.

³³ *Western Times* (Portsmouth, O.), July 6, 1826.

³⁴ *The Chronicle* (Cincinnati, O.), Feb. 28, 1829.

³⁵ See *Temporary Advertiser* (Portsmouth), Feb. 24, 1826. *Western Times* (Portsmouth), April 25, 1829. *Western Tiller* (Cincinnati), Aug. 25, 1826. *Hamilton Intelligencer*, Dec. 2, 1828, and May 12, 1829. *Western Aegis* (Georgetown), Nov. 25, 1828.

³⁶ Report of Ohio Commissioner of Statistics, 1857-9.

"The settlement and improvement of this city for the last 5 years," says an Ohio paper, "has been rapid almost beyond example."³⁷ The population of the whole state increased from 581,434 in 1820 to 937,903 in 1830,³⁸ a gain of 61.5%. During the same period the population of the United States increased only 33.5%. But the gain in Ohio was much more rapid during the later years of the decade than during the earlier years. The number of white males of voting age in the state increased 46,965, or 47.5%, from 1819 to 1827. During the next eight years gain was nearly twice as much, being 89,480 or an increase of 61.4% in the total number, the percentage rate showing a big increase notwithstanding the larger base.³⁹ The increasing population, together with the stimulus to industry from the increased prices of produce, caused a demand for land, and it rose in value.⁴⁰ During 1829 the sales of public lands in Ohio amounted to more than 1,465,000 acres, a greater quantity than was sold in any other state except Indiana and Illinois, and greater than had been sold in Ohio any previous year since 1822.⁴¹

The credit for the increased rate of growth, as well as for the improvement in prices and business conditions generally is due far more to the opening of the Erie and Ohio canals than to any change in tariff, currency, or banking conditions, although it was said about the time that the Ohio canals first opened that no section of the Union then had a better circulating medium than Kentucky, Ohio, Indiana, Illinois, and Missouri.⁴²

Dissatisfaction with the Operation of the Bonus Law. — An important change in the banking laws of Ohio had been made in 1825 when a tax on dividends was substituted for the bonus scheme provided for in the law of February 23, 1816.⁴³ It will

³⁷ Ohio State Bulletin, Aug. 12, 1829. See also *The Chronicle* (Cincinnati, O.), June 21, 1828.

³⁸ Abstract of 12th Census, p. 33.

³⁹ See note on page 333.

⁴⁰ *Western Times* (Portsmouth, O.), May 2, 1829.

⁴¹ *Ohio State Gazette and Delaware County Journal*, Jan. 20, 1831.

⁴² *Niles' Weekly Register*, Vol. XXXII, p. 37. (March 17, 1827).

⁴³ See Chapter II, p. 273.

be recalled that each of the banks incorporated under that law was, in lieu of other state taxation, to set off annually such a part of its profits as would at the expiration of its charter produce a sum sufficient to pay for one twenty-fifth of its capital stock which was to be property of the state.

This scheme apparently did not prove very satisfactory either to the banks or to the state. In 1818 the banks petitioned the legislature to repeal the bonus law; but a committee of the legislature reported that it was not expedient to exempt the banks from the payment of the bonus. So nothing was done then towards repealing the law, although Governor Brown in his message of December 16, 1818, suggested substituting for the bonus a tax on the real estate and dividends of the banks.⁴⁴

All of the banks incorporated in Ohio before February 23, 1816, had accepted charters under the bonus law by September 1, 1816, except the Miami Exporting Company. Of the banks incorporated later under that law, however, some did not accept their charters until late in 1818.⁴⁵ These up to the time of accepting their charters, were liable for taxes under the law of February 8, 1815, which had imposed a tax of 4% on the annual dividends of the banks, and had provided that if any bank should fail to report its dividends to the auditor of state he should levy a tax of 1% on its nominal capital, to be increased by a penalty of 4% in case of delay.⁴⁶ The Miami Exporting Company, which had refused to accept a charter under the bonus law, was also taxable under the law of 1815.

On January 5, 1819 the state auditor made a report to the legislature on the stock set off to the state by banks and also the taxes paid into the state treasury by banks. This report shows that up to that time the total stock set off to the state under the bonus law amounted to \$79,930.27; that the amount set off which accrued prior to the acceptance of charters under the law was \$6,251.51; and that the amount set apart to the state by the Miami Exporting Company was \$5,140.98.⁴⁷ Thus the total

⁴⁴ See Chapter III, p. 293.

⁴⁵ See p. 277.

⁴⁶ See Chapter I, p. 266. Also *Laws of Ohio*, Vol. XIII (1815), p. 152.

⁴⁷ *Ohio Senate Journal*, 1819, p. 207.

amount of taxes paid by banks under that law up to January 1819 was only \$11,392.49; while the amount of stock set off to the state was only \$79,930.27. Two years later a legislative committee was appointed to examine and report regarding the amount of the bonus set apart by the different banks. Its report, made December 28, 1820, showed that the total amount of the bonus set off to the state was only \$84,385.30, of which but \$37,023.40 was in banks then paying specie.⁴⁸ This did not indicate that the bonus would ever yield much revenue to the state.

Difficulty in Collecting the State's Claims against Banks.

— Many of the banks had failed and most of the others were unable or refused to pay specie for their notes. Consequently a good deal of worthless bank paper had found its way into the state treasury. A committee of the legislature had reported December 20, 1820, that there remained in the state treasury \$33,933.61 in uncurrent bank paper, of which the probability of redemption was very distant. As none of the banks, except the Miami Exporting Company, seemed disposed to do justice to the state, the committee had recommended that if the treasurer could not collect, he should either get real estate security or sue.⁴⁹

In many cases the state did sue, frequently getting judgments, however, which were more or less worthless. Under a joint resolution of the legislature at the session of 1824 commissioners were appointed to look after the claims of the state against banking corporations. Their report was given on December 14, 1824.⁵⁰

They had sold the claims of the state against the Miami Exporting Company for 33½ cents on the dollar, receiving paper of that bank at par. This paper was sold at public auction for

⁴⁸ Ohio House Journal, 1821, p. 195. The auditor's report of Dec. 5, 1821, under receipts for the year 1821, showed that the amount set aside by the Miami Exporting Company, under the act to raise revenue from banks, etc., was \$691.81. — *Liberty Hall and Cincinnati Gazette*, Jan. 2, 1822.

⁴⁹ Ohio House Journal, 1821, p. 160.

⁵⁰ Ohio Senate Journal, 1825, p. 57.

37¾ cents on the dollar and realized the sum of \$4,345.50.⁵¹ The claims against the German Bank of Wooster, amounting to \$827, the commissioners considered a total loss.⁵² The claim against the Lebanon bank by judgment was \$9,941. This institution was solvent and able to pay, but such was the difficulty of collecting that its paper commanded only 30 or 35 cents on the dollar. The same observations were made as to the Urbana Banking Company, against which the state's claims were \$4,058. This concern, the commissioners suggested, it was desirable to close as soon as possible.

Such difficulties as these in collecting claims against the banks, together with the absolute failure of many of the banks organized under the bonus law, made it apparent that the state could hope for but little revenue from the bonus.

Tax on Bank Dividends substituted for the Bonus. — On December 17, 1824, three days after the above report was made to the legislature, that body received a report of the state auditor on the banks chartered under the act of February 23, 1816. This report announced that it was extremely doubtful whether the state would ever derive any considerable advantage from the bonus set apart to the state by the banks incorporated under that act, since their condition was bad and their capital stock likely to be entirely exhausted. The auditor recommended that a committee of the legislature be appointed to consider the matter. This advice was accepted and the report was referred to a committee.⁵³

The legislature evidently soon became convinced of the correctness of the auditor's conclusion. At any rate, on February 5, 1825, an act was passed amending the act of February 23,

⁵¹ The paper was to be sold to the highest cash bidder on Aug. 24, 1824. — *Liberty Hall and Cincinnati Gazette*, Aug. 6, 1824. The judgment against the Miami Exporting Company was \$9,570.14, which with interest, dividends, etc., amounted to \$11,511.35. — *Ohio Senate Journal*, 1825, p. 57.

⁵² A report of the auditor, treasurer and secretary of state made to the legislature Jan. 21, 1826, states that a judgment against the German Bank of Wooster for \$1,000 had been obtained in 1821, and that they could get \$500 for the claim. — *Ohio Senate Journal*, 1826, p. 246.

⁵³ *Ohio Senate Journal*, 1825, p. 80.

1816, known as the bonus law, by restoring to the banks incorporated under that law the stock set aside for the state, and substituting therefor a tax on the dividends of the banks.⁵⁴ By the act of February 5, 1825 each of these banks was required to pay to the state 2% on all dividends made by it previous to the passage of that act, and 4% on all dividends which it should make thereafter, until otherwise provided by law. The directors of each bank were required to notify the state auditor of their acceptance of the terms of the act and of their compliance therewith, and to furnish him with a statement of all dividends declared previous to its passage.

Under the bonus law each bank was to set off to the state one share in each twenty-five of its stock. On this bonus the state was to receive dividends. Theoretically, therefore, under the bonus law the state would have received 4% of the dividends of the bank each year; and in addition to that would have been entitled to one twenty-fifth of all the bank's net assets when it came to settle up at the expiration of its charter. But, since the dividends on the state stock were to remain in the bank and accumulate until the state should own one-sixth of the capital stock, naturally the scheme failed, as a source of revenue, with the failure of so many of the banks concurring in it; so the state willingly exchanged this extraordinary bonus for a tax of from 2% to 4% on the dividends of the banks.

After this change in the tax law in 1825 no change was made in the banking laws of Ohio until 1831.⁵⁵

Lack of Banking Statistics from 1820 to 1830. — Statistics regarding banks in Ohio during the decade from 1820 to 1830 are very meagre. The number of chartered banks operating in the state as the close of the decade, however, was much smaller than at its beginning. Early in 1819 a committee of the legislature had reported 25 banks in operation.⁵⁶ On February 24, 1820, the committee on banks, to whom had been referred the

⁵⁴ Revised Statutes of Ohio — Chase, p. 1463. History of Banking — Knox, p. 671.

⁵⁵ Bankers' Magazine, Vol. IX, p. 3, and Vol. XI, p. 161.

⁵⁶ See Chapter III, p. 303.

governor's message of January 13 as to reports of banks, reported to the legislature that 18 banks had answered the communication of the governor as to their condition: 3 by letter only, apparently confidential, and giving no statement of their condition; 2 others making confidential reports of their situation; 6 making no formal report; and the remainder giving but a short report of their situation and only two under oath of the cashier. The committee declined to make an abstract of the reports because it considered them not intended for the legislature.⁵⁷ By 1826 these 18 banks had dwindled in number until there remained but 10 whose notes were current throughout the state.⁵⁸

Need of Banking Capital in Cincinnati in 1826. — Cincinnati, the largest town and most important trade center, had no incorporated bank in 1826 except the branch of the United States Bank.⁵⁹ The need of banking capital there at that time is indicated in the following quotation from a small work published in 1826:⁶⁰

"Cincinnati for several years has been deficient in the amount of its disposable capital; a nominal superfluity of it existed during the prosperity of the local banks; after their destruction, paper currency was almost withdrawn from circulation and much of the metallic currency applied to the payments due the United States Bank and the eastern merchants. From this condition of things the city has been gradually recovering, but its citizens are not yet large capitalists. Although engaged in profitable business most of them have not the means of extending it to a scale proportioned to their enterprise and the resources of the place. Money is consequently in great demand,

⁵⁷ Ohio House Journal, 1820, p. 414.

⁵⁸ The Ohio Gazetteer for 1826 — Kilbourn, p. 231. These were the Western Reserve Bank of Warren, the Bank of Steubenville and the Farmers' and Mechanics' Bank at Steubenville, the Bank of Mt. Pleasant, the Bank of St. Clairsville, the Bank of Marietta, the Lancaster Ohio Bank, the Franklin Bank of Columbus, the Bank of Chillicothe, and the Commercial Bank of Scioto at Portsmouth. To these may be added the Branch of the U. S. Bank at Cincinnati.

⁵⁹ Bankers' Magazine, Vol. XI, p. 171.

⁶⁰ Cincinnati in 1826 — Charles Cist.

and a high price is willingly paid for its use. For small sums 36% per annum is frequently given, and for large ones from 10 to 20% is common."

State Loans and Public Works increase the Money Supply. — During 1826 and 1827 the effort to establish another incorporated bank in Cincinnati was discussed generally, but none materialized.⁶¹ Expenditures on the canals of the state, however, and other causes, among which was a more plentiful supply of money in the country generally in 1827,⁶² contributed to improve financial matters in Cincinnati as well as in the remainder of the state. During the years from 1825 to 1828 the state issued its stocks of the par value of \$3,800,000 to defray the costs of canal construction. With the exception of the \$400,000 5% loan in 1825, which was placed at a discount of 2½%, these stocks all bore 6% interest and were issued at a premium. The net premiums for the four years mentioned amounted to \$124,895.⁶³ The proceeds of these loans being expended in the state, increased of course the amount of money in the state, and aided materially in improving its industrial and financial conditions. Niles Register of March 17, 1827, says, "At present there is no section of the Union that has a better circulating medium than Kentucky, Ohio, Indiana, Illinois, and Missouri—vexed as they have been with manufactories of paper money."⁶⁴

Project of Establishing a State Bank discussed. — About this time the project of a state bank was discussed considerably in Ohio. In compliance with a resolution of the state senate asking information on the subject, the auditor of state in his report of January 14, 1829 dealt at some length with the question. He stated that some states had succeeded and others had failed with state banks, but that the successful state banks had had as

⁶¹ Liberty Hall and Cincinnati Gazette, Sept. 15, 1826. Daily Gazette (Cincinnati), Nov. 19, 1827.

⁶² A History of American Currency—Sumner, p. 87.

⁶³ History of the Ohio Canals—Huntington & McClelland, p. 69. Other 6% loans followed, the total par value of the loans from 1825 to 1839 being \$9,446,123, on which the premiums netted \$581,913.25.—Ibid.

⁶⁴ Niles' Register, Vol. XXXII, p. 37.

nearly as practicable the character of private institutions. The auditor declined, however, to advise as to the policy of establishing a state bank, giving as his reason the fact that he had had no particular supervision of banks such as to give an intimate acquaintance with them.⁶⁵ A little later, however, a legislative committee, appointed to prepare information on the subject, reported in favor of a state bank, to be located at Cincinnati and its capital stock to be held by the state and individuals combined. The committee expressed the belief that such a bank would be able to keep its paper at par with gold and silver; that it would effect a lower rate of interest, thus enabling borrowers to obtain loans on cheaper and easier terms; and that the increase of capital which such a bank would bring about would be accompanied by a corresponding promotion and extension of agriculture, commerce, and manufacture.⁶⁶

Two new Banks authorized by the Legislature. — While this recommendation for a state bank was not carried out, the legislature did a few days later authorize the incorporation of two more banks in the state. On February 10, 1829, a charter was granted to the Bank of Geauga at Painesville with a capital stock of \$100,000,⁶⁷ and the next day, February 11, 1829, the Commercial Bank of Cincinnati was authorized with a capital stock of \$500,000, of which \$100,000 had to be paid in gold and silver before the bank could begin business.⁶⁸ The capital stock of the latter remained unsubscribed for two years afterwards, however, in consequence of the demand for capital to be used in more profitable pursuits than banking.⁶⁹ In 1829 land was increasing in value in the state and there was comparatively no scarcity of money.⁷⁰ The expenditure of thousands of dollars on internal improvements, and the resultant facilities for transportation were already bearing fruit in better industrial

⁶⁵ Ohio Senate Journal, 1829, p. 219.

⁶⁶ The Miami Herald and Dayton Republican, Feb. 3, 1829.

⁶⁷ Laws of Ohio, Vol. XXVII (1829), p. 27.

⁶⁸ Bankers' Magazine, Vol. XI, p. 165. Laws of Ohio, Vol. XXVII (1829), p. 42.

⁶⁹ Dayton Journal & Adviser, April 19, 1831.

⁷⁰ Western Times (Portsmouth, O.), May 2, 1829.

conditions. In his message of December 9, 1829, Gov. Trimble states that the general concerns of the state were never in a more prosperous condition.⁷¹

The number of banks in the state at that time was much smaller than it had been in the early years of the decade, but on the other hand their condition was much better and their notes far less depreciated and fluctuating. The heterogeneous character of their paper in the early twenties may readily be seen from the following table taken from a Cincinnati paper of 1822.⁷²

DEPRECIATION OF OHIO BANK NOTES IN FEBRUARY 1822.

Bank of Steubenville.....	par.
Farmers' and Mechanics' Bank of Steubenville.....	par.
Mt. Pleasant	par.
Western Reserve	2
St. Clairsville	1
Bank of Chillicothe.....	½
Lancaster Bank	1
Marietta	2
Columbus	2
West Union	40
Zanesville Canal	50
Muskingum Bank	12½
Portsmouth	15
Dayton	1½ to 2
Hamilton	31 to 35
Miami Exporting Co.....	62½ to 65
Bank of Cincinnati.....	70
Canton	25
Smithfield	75
New Salem	80
Cleveland	75
New Lisbon	50
Xenia	4
F. & M. Bank, Chillicothe.....	75
Urbana	75
Lebanon	55

⁷¹ Niles' Register, Vol. XXXVII (Jan. 2, 1830), p. 290.

⁷² Liberty Hall and Cincinnati Gazette, Feb. 2, 1822.

With the preceding may be compared the following table taken from another Cincinnati paper of 1828.⁷³

DICOUNT ON OHIO BANK NOTES IN JANUARY, 1828.

Bank of Chillicothe.....	1
Bank of Lancaster.....	1
Bank of Columbus.....	1
Bank of Steubenville.....	1½
F. & M. Bank of Steubenville.....	½
Bank of Mt. Pleasant.....	1½
Bank of Marietta.....	1½
Western Reserve	1½
Portsmouth	1½
St. Clairsville	1½

The decrease in the number of banks whose notes are quoted is very apparent, but the increase in the uniformity of the quotations is just as striking. The worst of the banks named in the first table had passed away. The stronger remained.

Albert Gallatin, writing in 1831, enumerates 20 Ohio banks which had failed or discontinued business since Jan. 1., 1811. The capital stock of two of the banks in the list is not given, that of the other 18 amounts to \$1,911,179. The list follows.⁷⁴

OHIO BANKS WHICH FAILED BETWEEN 1811 AND 1831.

<i>Name of Bank.</i>	<i>Capital.</i>
Miami Exporting Company, Cincinnati.....	\$468,966
Columbiana Bank of New Lisbon.....	50,000
Granville Alexandrian Society.....	12,002
Farmers' Bank of New Salem.....	57,000
German Bank of Wooster.....	25,000
Bank of Muskingum.....	97,000
Farmers' & Mechanics' Bank of Cincinnati.....	184,776
Bank of Cincinnati.....	216 430
Dayton Manufacturing Company.....	61,622
Lebanon Miami Banking Company.....	86 491
Urbana Banking Company.....	49,685

⁷³ Cincinnati Daily Gazette, Jan. 8, 1828.

⁷⁴ Considerations on the Currency and Banking System of the United States — Gallatin, p. 105. Report of the U. S. Comptroller of the Currency, 1896, Vol. 1, p. 48.

Farmers' & Mechanics' Mfg. Bank of Chillicothe.....	99,575
Bank of Hamilton.....	22,707
Zanesville Canal & Manufacturing Company.....	79,125
Bank of West Union.....	100,000
Commercial Bank of Lake Erie.....	100,000
Bank of Steubenville.....	100,000
Muskingum Bank of Zanesville.....	100,000
Jefferson County Bank.....	.....
Bank of Xenia.....	.....
<hr/>	
Total (18 banks) ⁷⁵	\$1,911,179

Causes of Failure of Majority of Ohio Banks. — It will be seen that this list includes many of the banks whose notes were greatly depreciated in 1822 as shown by the preceding table. The causes of their failure were various. Some of these banks had been erected on stock notes alone, the directors then turning right around and issuing their bank bills on the promise of the borrower and a pledge of the stock.⁷⁶ Some of them had been got up for the purpose of borrowing and not lending money, and defrauded the unsuspecting with their depreciated paper. It is not surprising that such banks failed. As Governor McArthur, speaking of the insolvent state banks of that period, remarked, "To insure the solvency of a bank, its stockholders should be lenders and not borrowers of its money."⁷⁷

Not all were dishonest, however. Many of the defects and many of the failures should be attributed to frontier conditions.⁷⁸ The following quotation from a Cincinnati paper of 1826 is interesting as bearing directly on the subject: "The banking operations of the West have, in too many cases, been indiscreetly and injudiciously conducted; without resorting to

⁷⁵ Gallatin also states that during this period 165 banks failed or discontinued business in the United States, of which number 129 had a total capital of \$24,212,339.

⁷⁶ Ohio House Journal, 1835, p. 208.

⁷⁷ Political address to electors of 7th Cong. Dist., Sept. 11, 1832. — Niles' Register, 43:89., Oct. 6, 1832.

⁷⁸ Similar conditions had existed in New England earlier in the century, the practice of subscribing to capital by notes having been almost universal there at one time. — History of American Currency, Sumner, pp. 61 and 62.

the threadbare charges of corruption and dishonesty, sufficient causes for their failure can be found in their too great success at first, in a want of correct knowledge of the details of the system, and in the peculiar and unusual state of things during the war, which betrayed, to a certain extent, even the most experienced and veteran institutions in our country."⁷⁹

Benefits derived from surviving Banks. — There remained ten banks whose paper was current in the state in 1826 and at a discount of only 1 or 1½% at Cincinnati in 1828, as shown by the foregoing tables. An appreciation of them is given by the state auditor, Ralph Osborn, in his report of Jan. 14, 1829, in which he speaks of the benefits received from the banks that had survived. By them the active capital of the state has been augmented, says he, and facilities afforded for the transportation of surplus products to Atlantic markets. They have aided in the collection of the revenue, and answered the demand of the land proprietors when pressed for payment by the general government. "Indeed," he goes on, "it is impossible to calculate the benefits all classes have received and are daily receiving from those institutions. Their usefulness will not cease till they multiply so as to prey upon each other, or eagerness for gain leads to over-issues."⁸⁰

Statistics of Ohio Banks in 1830. — According to Gallatin there were in January 1830 eleven chartered banks still in operation in Ohio. Their names, location, and capital stock are given in the following table, which shows also the proportion of their capital stock to the population of the counties in which they were located.

⁷⁹ Liberty Hall and Cincinnati Gazette, Sept. 15, 1826.

⁸⁰ Ohio Senate Journal, 1829, p. 219.

DISTRIBUTION OF BANKS AND CAPITAL IN OHIO, JANUARY, 1830.

Name of Bank. ⁸¹	County.	Population in 1830. ⁸²	Number of Banks.	Capital Stock in.	
				Total. ⁸³	Per Capita. ⁸³
Belmont Bank of St. Clairsville	Belmont	28,627	1	\$100,000	\$3.493
Lancaster, Ohio, Bank.....	Fairfield	24,786	1	100,000	4.035
Franklin Bank of Columbus.....	Franklin	14,741	1	100,000	6.784
Bank of Mt. Pleasant.....	Jefferson	22,489	3	100,000	13.340
Bank of Steubenville.....				100,000	
Farmers' and Mechanics' Bank of Steubenville...				100,000	
Bank of Chillicothe.....	Ross	24,068	1	500,000	20.774
Commercial Bank of Scioto, Portsmouth	Scioto	8,740	1	100,000	11.442
Farmers' Bank of Canton.....	Stark	26,588	1	100,000	3.761
Western Reserve Bank.....	Trumbull	26,153	1	82,386	3.150
Bank of Marietta.....	Washington	11,731	1	72,000	6.138
Total for 9 counties...	.....	187,923	11	\$1,454,386	\$8.170
Total for State (73 counties) .....	.....	937,903	11	1,454,386	\$1.551

⁸¹ From list of banks and capital given in "Considerations on the Currency and Banking System of the United States," by Albert Gallatin, Philadelphia, 1831, p. 100.

⁸² Figures for population from Census Bulletin, No. 41, 12th Census of the United States, p. 2.

⁸³ Obtained by dividing the amount of capital in each county by the population of the county.

The foregoing table shows that while the average amount of capital per inhabitant was \$8.17 for the 9 counties in which the 11 chartered banks were situated, yet for the state as a whole the average banking capital was only \$1.55. Ten years before it had been over \$4. per inhabitant.

The following table will show, so far as returns were made by the banks, the number of chartered banks in Ohio, together with their total capital stock, at various intervals from 1805 to 1830.

NUMBER AND CAPITAL OF STATE BANKS IN OHIO, 1805 TO 1830.

<i>Year</i>	<i>No. of Banks.</i>	<i>Capital Stock.</i>
1805	1	\$200,000 ⁸⁴
1811	4	895,000 ⁸⁵
1812	6	1,200,000 ⁸⁶
1814	8	1,435,819 ⁸⁷
1815	12 ⁸⁵	1,932,108 ⁸⁷
1816	21 ⁸⁵	2,806,737 ⁸⁷
1817	21	2,003,969 ⁸⁷
1819	20	1,751,402 ⁸⁸
1820	19 ⁸⁵	1,697,463 ⁸⁹
1830	11	1,454,386 ⁸⁸

The above figures of course do not show the total banking capital of the state for they apply only to the incorporated banks, and not all of those always reported; but they indicate fairly well the relative amounts of banking capital at the different periods, and show plainly the expansion from 1815 to 1817 as well as the subsequent contraction. The same thing may be seen perhaps more clearly from the following diagram.

⁸⁴ Report of U. S. Comptroller of the Currency, 1876, p. LXXXV.

⁸⁵ Considerations on the Currency and Banking System of the United States — Gallatin, p. 103.

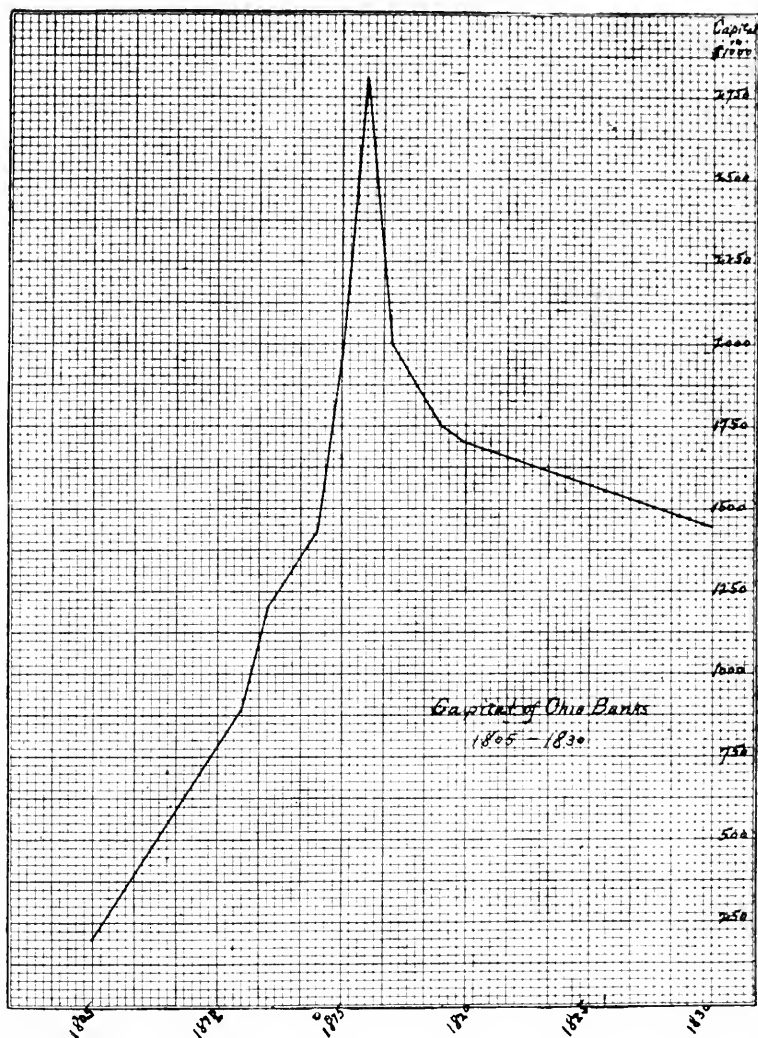
⁸⁶ A Short History of Paper Money and Banking — Gouge, p. 88.

⁸⁷ Elliot's Funding System, p. 769.

⁸⁸ See table page 303.

⁸⁹ Elliot's Funding System, p. 770.

For comment as to reports, etc., see preceding pp. 278-9.



CHAPTER VI.

THE SECOND PERIOD OF EXPANSION. 1831 TO 1836.

An Era of Internal Improvements. — The decade from 1830 to 1840 witnessed the beginning of a new era of progress throughout the civilized world. One of the most important factors in this progress, especially as it affected the United States, was the application of steam to railroad transportation and trans-Atlantic navigation. In 1830 railroad building was just beginning in the United States, but it advanced rapidly during the next few years; while canal construction was then at its height. The Erie Canal in 1825 opened the Great Lakes region to the markets of the Atlantic coast, and facilitated settlement of the interior. The State of Ohio in 1833 completed 400 miles of navigable canals connecting the Ohio River with Lake Erie, and the same year began work on an extension of the system, which when completed in 1847 consisted of over 800 miles of canals and slack-water navigation. Pennsylvania and other states were also busy in canal making. Canals costing a hundred million dollars were begun or finished in the years culminating in the panic of 1837.¹ The country was in the midst of an era of internal improvements, and the possibilities of the future seemed unlimited.

Increase in Immigration. — These internal improvements and the various other enterprises which accompanied or followed them created a strong demand for labor and capital, and large supplies of both came from Europe. From the inauguration of Washington in 1789 to that of Jackson in 1829 the population of the United States increased from about four millions to almost thirteen millions, but very little of that increase was due to immigration. Probably not over four hundred thousand immigrants were included in that increase of nearly nine millions.² About the latter date, however, immigration began in sufficient

¹ Crises and Depressions — Burton, p. 281.

² Division and Reunion — Wilson, pp. 2 and 3.

magnitude to promote the more rapid development of the country. Thousands of these immigrants found their way to Ohio and other interior states, and formed no inconsiderable part of the great westward movement then going on.

Growth of Population in Ohio. — The population of Ohio increased much more rapidly during the early 30's than it had during the early 20's. From 1827 to 1835 the number of white males of voting age in the state increased by 89,480, or 61.4%, while during the preceding eight years the increase had been only 46,965, or 47.5%.³ From 1830 to 1840 the population of the United States increased 32.7%.⁴ During the same period the population of Ohio increased 62%, a percentage nearly twice that for the country as a whole. The total gain of population in Ohio from 1830 to 1840 was 581,564, a number greater by nearly 50,000 than its gain for any other decade during the century.⁵ Ohio ranked fifth among the states in population in 1820, fourth in 1830, and third in 1840, a position which she was able to hold for half a century.⁶ During the decade 1830-40 also, Ohio became the first state in the union in the production of wheat and corn, and ever since has held high rank as an agricultural state. Internal improvements had given her markets for her products and an incentive to production.

Effect of Transportation Facilities. — The development of transportation facilities was perhaps the most conspicuous feature of this period in the United States. It gave an impetus to the settlement of large tracts of land not only in Ohio but in other states of the Middle West and caused a large increase in agricultural production, and abundant mineral and agricultural products of the country, hitherto unavailable on account of lack of transportation facilities, were made available not only for distribution throughout the United States but also for export.

Foreign Commerce and Foreign Loans. — Both the domestic and the foreign commerce of the country made rapid strides. The value of the imports and exports of merchandise

³ See Chapter V, p 333.

⁴ Statistical Atlas of the United States, 1900, p. 25.

⁵ 12th Census of the U. S. Bulletin No. 41, p. 1.

⁶ Statistical Atlas of the U. S., 1900, plate 21.

increased from 134 million dollars in 1830 to 221 millions in 1840.⁷ The influence of foreign loans is shown by the fact that while between 1830 and 1837 the imports of merchandise exceeded the exports by \$140,000,000, yet the imports of specie also, during this period, exceeded the exports by \$44,700,000. In 1834, for example, the exports of coin and bullion amounted to only \$400,500, while the imports totaled \$16,235,374. The foreigners, instead of demanding the payment of the trade balance in specie, were leaving it invested in the United States and sending us money besides. They were investing in our new railroad industry and more particularly in the bonds issued by municipalities and by states for internal improvements, etc.⁸ From 1826 to 1839 the State of Ohio issued, to pay for canal construction, 6% stocks to the amount of \$9,046,123, all of which brought a premium except \$20,000 issued at par in 1836. The total amount of these premiums was \$591,013.25. The highest premium received was that of 1832, which was 24%.⁹

Period of Business Expansion.—The period from the crisis of 1819 to that of 1837, says Burton, "was the first which displayed in this country the distinctive features which preceded the crises of 1873 and 1893. It afforded an illustration of gradual growth, expansion, and collapse. The movement was particularly marked from 1831 to 1837, and most active from 1834 to 1837."¹⁰ During this period there was not only a steady growth in population, agriculture, and foreign trade, but manufacturing, having recovered from the depression which followed the War of 1812, was beginning to be developed on a large scale, while domestic commerce and wealth had nearly doubled. It was an era of great territorial and business expansion, and, as usually happens, this was accompanied, especially towards the close of the period, by excesses which later caused waste and loss.

⁷ Statistical Abstract of the United States, 1905, pp. 636-7.

⁸ Financial History of the U. S. — Dewey, p. 226.

Crises and Depressions — Burton, p. 280.

⁹ History of Ohio Canals — Huntington & McClelland, p. 69.

There was also an issue of \$400,000 at 5% in 1825, the total amount issued before 1830 being \$3,800,000.

¹⁰ Crises and Depressions — Burton, p. 279.

Excessive Credit and Speculation. — A great number of enterprises were established, which were in advance of the demand, and many others which were entirely useless. There was undue extension of credit; while speculative operations attained a volume never known before in this country. The demand for western land due to the influx of new settlers was vastly increased by land buying for speculation. As the market price of land frequently went way above the government selling price, there was strong inducement to buy with the expectation of selling it sooner or later at a big profit. To do this, money was necessary; consequently there arose an enormous demand for borrowed money. This was readily supplied by local banks, many of which sprang up especially to meet this temporary demand. All of them were glad to extend their circulation and increase their loans.

Rapid Growth of Local Banking. — From 1829 to 1837 the number of local banks reported in the United States increased from 329 to 634 and their capital from 110.2 million dollars to 290.8 millions; while their circulation increased from 48.3 millions to 149.2 millions, and their loans and discounts from 137 million to 525.1 million.¹¹ That is, while the number of banks and their capital practically doubled, their circulation increased three-fold and their loans and discounts nearly four-fold, thus showing that not only were new banks started, but that both new and old issued more notes and greatly increased their loans. The loans of the Ohio banks doubled from January 1835 to May 1837.¹²

Refusal to Recharter the United States Bank. — The development of local banks was accelerated by the refusal to extend the charter of the United States Bank, which was to expire in 1836. A bill to renew the charter passed the Senate in June 1832 and the House in July, but it was vetoed by President Jack-

¹¹ Figures for 1829 are taken from Gallatin's *Considerations on the Currency*, pp. 45, 49, and 53, except those for loans which are from Dewey's *Financial History*, p. 225; figures for 1837 are from Elliot's *Funding System*, p. 984.

See Appendix, pp. 517-18.

¹² Elliot's *Funding System*, p. 1183.

son; and when he was re-elected on that issue in the fall the fate of the bank was sealed.¹³ This gave an immediate impetus to the development of local banks, which was increased by Jackson's determination at once to remove the government deposits from the United States Bank, on the ground that the public funds were not safe in the hands of "an electioneering machine."

Withdrawal of Public Funds from the United States Bank and their deposit in State Banks.—This decision was made effective as soon as the President could get a new Secretary of the Treasury willing to do his bidding. On September 26, 1833 an order was issued by Secretary of the Treasury, Roger B. Taney, directing that nearly ten millions of public money then in the United States Bank should be gradually withdrawn and no more deposited therein; but that henceforth the public funds should be deposited in certain state banks.¹⁴ The hope of securing some of these government deposits accelerated the increase in local banks, and the distribution of the funds among numerous "pet banks," as the state banks selected were familiarly called, increased opportunities for extending credit, and furnished the foundation for many injudicious enterprises.

Payment of the National Debt and Distribution of the Surplus among the States.—Another cause contributing to the same effect was the distribution among the states of the surplus revenue which occurred about this time in the United States Treasury. The growth in the foreign trade of the country had brought a big increase in the revenues from import duties; while the sale of public lands, the proceeds of which between 1810 and 1830 had amounted to only one or two millions a year, increased so rapidly after 1830 that in 1835 the receipts from this source were nearly \$15,000,000.¹⁵ In January of the latter year the national debt was paid off and a prediction made by Jefferson fifty years before was about to be fulfilled, namely, the

¹³ Division and Reunion—Wilson, p. 79.

¹⁴ Division and Reunion—Wilson, p. 81.

Financial History of the U. S.—Dewey, p. 206.

¹⁵ The Public Domain—Donaldson, p. 17.

See Appendix, pp. 386, 493.

United State Treasury was the possessor of a surplus.¹⁶ A Senate committee estimated that it would average nine million a year for the next eight years. What was to be done with it? the protected interests like their successors of today did not want the tariff reduced, so they advocated a distribution of the surplus among the states. This idea also found favor in other quarters. But the president and others of his party had scruples against making direct gifts to the states. So it was finally decided to make the distribution as a loan to the states, though without interest, to be recalled at the pleasure of Congress. This act providing for the distribution was passed June 23, 1836,¹⁷ and under it somewhat over \$28,000,000 was deposited with the states. The amount was in reality a gift and was never expected to be recalled. It is still carried on the books of the treasury as unavailable funds, \$28,101,644.¹⁸

Ohio's share of this surplus revenue, amounting to \$2,007,-260.34, was distributed among the several counties; and the county commissioners were authorized to loan these funds at 6% interest to any incorporated canal, railroad, or turnpike company, or to any other work of internal improvement in the county, upon security equal to double the amount loaned. Any of the money not loaned as above could be loaned to the state in such amount as the latter desired, or to individuals at from 6 to 7% interest. Of the total amount received by the state, \$545,681.93 was expended in the construction of internal improvements.¹⁹

Relation of Credit and Speculation. — The distribution of the surplus among the states and the deposit of the public funds with local banks encouraged many of the latter to make loans larger than their assets would warrant, especially as there was such a strong demand for money for purposes of speculation. The notes issued by the bank to the speculator would commonly be invested in government land, as that was the main subject of

¹⁶ Financial History of the U. S. — Dewey, pp. 217 and 219.

¹⁷ United States Statutes at Large, Vol. V, p. 55.

¹⁸ Financial History of the U. S. — Dewey, pp. 219-21.

Division and Reunion — Wilson, pp. 86-88.

¹⁹ History of Ohio Canals — Huntington & McClelland, pp. 73 and 74.

speculation at the time. The land receiver usually would then deposit the notes in a local bank, frequently in the same bank that issued them, and again they would be ready for issue, perhaps to the same speculator, to purchase more land. Thus the local banks and the government surplus became involved in a common network of credits. The paying off of the national debt, too, helped the land speculation, since money formerly loaned to the government was thus set free for other investments.²⁰

Rapid Increase Bank Notes and Other Money in the United States. — While land speculation was the central point in the expansion of the period, and reached its maximum in the West and Southwest, where the rapid increase that occurred in the price of wheat and cotton and other farm products helped to boom the lands that produced them; yet speculation of every sort and in all parts of the country received a wonderful impetus. Money was plentiful, and as much of it did not represent capital, it was easy to obtain. Consequently times were flush and nearly everybody ran into debt.²¹ The total amount of money in the United States increased from 93 million dollars in 1830 to 222 million in 1837, a point not reached again until 1847. It is estimated that about two-thirds of this money consisted of outstanding bank notes, the latter increasing from 61 million in 1830 to 149 million in 1837, which high point was not reached again until 1851.²²

Bank Circulation in Ohio. — In the rapid expansion of bank paper during this period Ohio had her full share. In one year, from 1835 to 1836, the reported circulation of Ohio banks increased from 5.2 million dollars to 9.7 million, while the eleven authorized local banks operating in the state in 1830 had become 33 in 1837, an increase of exactly three-fold.²³ There are no

²⁰ Financial History of the U. S. — Dewey, pp. 225 and 226.

²¹ Financial History of the U. S. — Dewey, p. 226.

Division and Remission — Wilson, p. 89.

Men and Measures of Half a Century — McCulloch, p. 58.

²² Report of the United States Comptroller of the Currency, 1908, p. 115.

²³ Report of U. S. Comptroller of the Currency, 1876, p. XCVII.

figures available as to the circulation of the Ohio banks in the early years of the decade, but it was probably not large.

It may be recalled that the 25 chartered banks in Ohio in 1819, had a circulation of only about 1.3 million dollars;²⁴ while in 1826 the statement was made that some years before paper currency had almost been withdrawn from circulation in Cincinnati, the largest city in the state.²⁵ In 1829, however, it was said that there was comparatively plenty of money in the state,²⁶ and at that time Ohio bank notes were at a discount of from 2½ to 3½% in Philadelphia.²⁷ In 1831, however, the discount was only about 1½%,²⁸ thus indicating that the circulation of Ohio banks could not have been much expanded. It is probable that their circulation at that time was between one and two million dollars, perhaps nearer the first figure than the second.

Charter of the Bank of Norwalk. — In fact there was quite a demand for money in Ohio at this time, which took the form of a demand for more banking facilities, the function of a bank considered most important in this country in those days being that of note issue.²⁹ On Feb. 25, 1831 the legislature granted a charter to the Bank of Norwalk, with an authorized capital stock of \$100,000.³⁰ This was the only bank chartered by the legislature that session, however, and was not sufficient to meet the demand. Consequently there was a resort to the reviving of old banks.

Revival of the Dayton Bank. — As early as Jan. 18, 1831 the Dayton Republican in speaking of the importance and need of a bank at Dayton, had called attention to the fact that there was a bank in the city whose charter would not expire for 13 years yet, and suggesting that it ought to be put into operation again.³¹ Another Dayton paper a few months later announced

²⁴ See Chapter III, p. 301.

²⁵ See Chapter V, p. 342.

²⁶ See Chapter V, p. 344.

²⁷ See Appendix, p. 489.

²⁸ Ibid.

²⁹ Money, Trade and Industry — Walker, pp. 259 and 299.

³⁰ Local Laws of Ohio, Vol. XXIX, (1831), p. 162.

³¹ This was the Dayton Manufacturing Company. See Chapter I, p. 261. Also Knox's History of Banking, p. 676.

that the Dayton Bank, which had wound up its business a few years before and paid its stockholders the capital invested, had been revived, its capital stock filled up and actually paid in, and its business resumed on a good stable foundation, which inspired confidence and gave assurance that the revival of this bank would prove a public benefit.³²

Opening of the Commercial Bank of Cincinnati. — It will be recalled that on Feb. 11, 1829 the legislature had authorized the Commercial Bank of Cincinnati to begin business with a capital stock of \$100,000 but that its stock had remained unsubscribed owing to the pressure for capital in other lines.³³ On Feb. 12, 1831, however, the commissioners in charge of the organization of this bank advertised that two days later its stock subscription books would be opened, and each day thereafter for 30 days, within which time \$10 on each share must be paid by the subscribers according to charter.³⁴ This stock was all quickly taken, a great part of it by foreign capitalists, and arrangements were at once made for the immediate commencement of business.³⁵ On May 28 the stock in this bank rose from 5 to 15% premium, and before the day closed 17% was asked, at which figure the price remained firm. Orders to purchase this stock received from eastern cities were said to have contributed to this rise.³⁶

Tax on Dividends of Banks increased to 5%. — A provision in the charter granted this bank Feb. 11, 1829, had provided that it should pay to the state a tax of 4% on its annual dividends.³⁷ That was the rate then paid by all the local banks

³² Dayton Journal and Advertiser, Aug. 30, 1831.

The name of Dayton Manufacturing Co. was changed to Dayton Bank. Local Laws of Ohio, Vol. XXX, (1832), p. 14.

³³ See Chapter V, p. 344.

³⁴ The Sentinel and Star in the West, (Cincinnati), Mar. 12, 1831, p. 160.

³⁵ The Dayton Journal and Advertiser, Apr. 19, 1831.

³⁶ The Republican (Dayton), May 31, 1831.

³⁷ Report of State Auditor, Jan. 16, 1834.

Laws of Ohio, Vol. XXVII, (1829), p. 46.

See also arguments in cases of Ohio Life Insurance and Trust Company vs. Debolt, 16 Howard 421; and Piqua Branch of State Bank of Ohio vs. Knoop, 16 Howard 379.

in the state under the tax law of Feb. 5, 1825.³⁸ But in 1831 about the time the Commercial Bank of Cincinnati began business a change was made in this law which resulted in giving this bank somewhat of an advantage over the rest of the local banks so far as state taxation was concerned.

As early as Jan. 14, 1830 the committee on finance of the Ohio Senate, to whom had been referred a resolution as to the expediency of taxing the capital of banks, insurance companies, etc., on an ad valorem basis, reported against that plan and in favor of retaining the existing system. They gave as reasons for preferring income as the basis of taxation: first, that it was more agreeable to the stockholders and directors; second, the fact that the charters of some of the banks limited the tax to 4% on dividends, which by implication might exclude other forms of taxation. The committee concluded that no legislative act on the subject was then required.³⁹ So the matter went over.

At the next session of the legislature, however, the question of bank taxation came up again, with the result that on March 12, 1831, an act to tax banks, insurance, and bridge companies was passed, which increased the rate of the tax on bank dividends from 4% to 5%.⁴⁰ Under this law the directors of banks, insurance companies, and bridge companies were to furnish the state auditor with a statement of all dividends, and the auditor was then to draw for 5% thereon. A penalty not to exceed \$1000 was provided for failure to furnish such statement or refusal to pay the auditors' draft. This law operated on all the local banks in Ohio, except the Commercial Bank of Cincinnati. The latter paid 4% on its dividends under its charter, which exempted it from general taxation under a general law.⁴¹

The Bank of Zanesville Chartered.—In the session of 1832 the legislature, like its predecessor of 1831, chartered only one bank. This was the Bank of Zanesville, at Zanesville, Ohio.

³⁸ See Chapter V, p. 340.

³⁹ Ohio Senate Journal, 1830, p. 238.

⁴⁰ Laws of Ohio, Vol. XXIX, (1831), p. 302. Also 3 Chase 1820.

⁴¹ See argument for plaintiff in case of Ohio Life Insurance and Trust Co. vs. Henry Debolt. — 16 Howard 421.

which was granted a charter on Jan. 13, 1832.⁴² Its authorized capital stock was \$300,000; but, as happened the year before, one new bank was not all that was required.

Re-opening of the Commercial Bank of Lake Erie. — The demand for more banking facilities in the state brought about the revival of another old bank early in 1832. This was the Commercial Bank of Lake Erie, which had been chartered originally by the bonus law of Feb. 23, 1816,⁴³ and had begun business in Cleveland in August of that year with Alfred Kelley, President, and Leonard Case, Cashier.⁴⁴ It had been unable to survive the crisis of 1818-19, however, and had failed in 1820.⁴⁵ In the winter of 1832 steps were taken to revive this institution. On Jan. 3, 1832 the state auditor made a report to the legislature on this bank, in which he said its authorized capital stock had been 1000 shares at \$100 each, with the privilege of extending this to \$500,000. He added the number subscribed was 1269, and the amount paid \$43,797.⁴⁶ On April 2, 1832 the Commercial Bank of Lake Erie was reorganized with Leonard Case, President, and Truman P. Handy, Cashier.⁴⁷ A large majority of the stock was said to be held by the Dwellers of New York and Massachusetts and their friends.⁴⁸

Scarcity of Money in Ohio. — Notwithstanding the chartering of the new banks of Norwalk and Zanesville, the revival of these old banks in Dayton and Cleveland, and the opening up of the Commercial Bank of Cincinnati after a two years' delay, the pressure for more money in the state continued to increase. This was intensified by Jackson's message of July, 1832, vetoing the bill to renew the charter of the United States Bank.⁴⁹ A Cincinnati writer for the *New York Courier and Enquirer* of Aug. 3, 1832 says: "The distress for money here at present is greater

⁴² Local Laws of Ohio, Vol. XXX, (1832), p. 94.

⁴³ See Chapter II, p. 275.

⁴⁴ Magazine of Western History, Vol. II, p. 272.

⁴⁵ Ibid.

⁴⁶ Ohio House Journal, 1832, p. 155.

⁴⁷ Magazine of Western History, Vol. II, p. 272.

⁴⁸ Republican, (Dayton), Apr. 10, 1832.

⁴⁹ See preceding, p. 355.

Also Division and Reunion — Wilson, p. 83.

than can well be imagined, and the branch bank is, from necessity in prospect of winding up, curtailing. We have one other bank in the place and its capital but \$500,000. Money can be lent upon mortgages on good city property at from 12 to 15% when the security is unquestionable and worth at least 100% more than the amount loaned. The brokers get readily one quarter per cent per day!"⁵⁰

Revival of the Project for a State Bank.—Throughout the state the question of what should be done became a matter of much agitation. Gov. Duncan McArthur in a political address of Sept. 11, 1832, declared in favor of a re-charter of the United States Bank, or other bank not a "treasury bank" or under the control of the Executive.⁵² The project of a State Bank was revived and generally discussed that fall and winter.⁵³

Report of Senate Committee in favor of State Bank.—The Governor's Message of Dec. 4, 1832 discussed the question, and on Jan. 29, 1833 the Senate committee on finance and a circulating medium, to which that part of the message had been referred, reported that the banking capital of local banks in Ohio actually employed was estimated at \$2,000,000, while the amount needed was probably not over 8 to 10 million. The committee was of the opinion that a State Bank in which the State should own 1/5 the stock and elect that proportion of the directors, would best fill the vacuum and establish a sound and uniform currency.⁵⁴

Bill before Legislature for State Bank.—A bill was introduced before the legislature which provided for a state loan of \$7,000,000 at 4% as a means of raising funds to organize a State Bank with branches, somewhat on the plan of the Louisiana State Bank, the subscriptions of stock in the bank to be secured by real estate, and the State to subscribe for part of

⁵⁰ Niles, 42:436. Aug. 18, 1832.

⁵¹ Division and Reunion—Wilson, p. 81.

⁵² Niles, 43:89. Oct. 6, 1832.

⁵³ Dayton Jour. & Advertiser, Dec. 4, 1832.

Dayton Whig & Miami Democrat, Dec. 29, 1832.

⁵⁴ Ohio Senate Journal, 1833, p. 390.

the stock directly. The idea was for this bank to have a practical monopoly of banking in the state.⁵⁵

Subject postponed till December 1833. — Two other bills were reported to the legislature, for the incorporation of a State Bank, but none of the three could command sufficient support to effect its passage, and doubt was expressed as to whether a majority in the legislature were not opposed to a State Bank in any shape.⁵⁶ There were also "innumerable applications for local banks," and the opinion was expressed while the State Bank bill was pending that the only reason to anticipate a failure of its passage was the jarring interests, excited by the various applications for local banks, some of which were pressed with strenuous efforts. To buy these off, it was said, it would be necessary to give them branches of the State Bank.⁵⁷ All sorts of objections were raised to the State Bank as proposed.⁵⁸ A minority report of the House Committee on a State Bank, on Feb. 2, reported against its being established that session: first, because the situation did not then call for it; second, because public opinion was not fully expressed.⁵⁹ Probably few were surprised when early in February it was announced that by common consent the project was to lie over until the next session of the legislature.⁶⁰ On Feb. 14, the bill was taken up and postponed until the following December.⁶¹

Two Million-Dollar Banks authorized in Cincinnati. — Instead of passing a bill to incorporate a State Bank, which should control all the monied institutions of the state, the legislature contended itself for that session with authorizing the Commercial Bank of Cincinnati to increase its capital stock from \$500,000 to \$1,000,000,⁶² and granting a charter to the Franklin Bank of

⁵⁵ Dayton Journal and Advertiser, Jan. 8, 1833.

Dayton Republican, Jan. 15, 1833.

Niles, 43:330, Jan. 19, 1833.

⁵⁶ Dayton Journal, Feb. 12, 1833. Also Niles, 44:2, Mar. 2, 1833.

⁵⁷ Dayton Journal and Advertiser, Jan. 8, 1833.

⁵⁸ Dayton Journal, Jan. 15 and 22, 1833.

⁵⁹ Ohio House Journal, 1833, p. 403.

⁶⁰ Dayton Republican, Feb. 5, 1833.

⁶¹ Dayton Journal, Mar. 5, 1833.

⁶² Niles, 43:387, Feb. 9, 1833.

Cincinnati, on Feb. 19, 1833, which authorized it to organize with a capital stock of \$1,000,000.⁶³

Message of Governor Lucas, December 1833. — Notwithstanding these considerable additions to the banking capital of the state there still remained a deficiency in the circulating medium. In commenting on this, Gov. Robert Lucas, in his message of Dec. 3, 1833, spoke of the prosperity of the people and mentioned several causes ascribed for the deficiency; but added that he conceived the latter to be the natural result of the termination of the state's public expenditures, about \$5,000,000 having within a few years been expended within the state for canal building. This sum, he continued, had during the progress of the work been thrown into circulation and had formed a considerable part of the currency of the state; so that its withdrawal from the floating capital of the state due to the termination of the public expenditures and the ordinary course of business was severely felt by a certain portion of the community. As a remedy he recommended a State Bank.⁶⁴

Banking Capital in Ohio held by Non-Residents. — One of the features of the State Bank bill that had been before the legislature the previous session was a provision that none but citizens of Ohio, who were owners of real estate situated in Ohio, should be subscribers to its stock.⁶⁵ Much of the banking capital employed in Ohio at that time was owned by non-residents. And the argument was brought forward that a State Bank would mean a big saving to the people of Ohio through reducing the large interest payments then being paid on this foreign capital.

In arguing in favor of the State Bank which had just been advocated by Governor Lucas, in the message referred to above, the *Ohio Monitor* quotes from the Cincinnati Republican some

⁶³ Local Laws of Ohio, Vol. XXXI. (1833), p. 123.

⁶⁴ Ohio House Journal, 1834, p. 9.

⁶⁵ A further provision was that the subscribers should not transfer their stock to persons differently situated until after one year, when they might transfer it to any owner of real estate in Ohio. — *Dayton Republican*, Jan. 15, 1833.

figures as to the amount of banking capital then employed in Ohio.

BANKING CAPITAL IN OHIO IN DECEMBER, 1833.

Capital employed in Branches of United States Bank (practically all held by non-residents).....	\$1,700,000
Capital of local banks held by non-residents.....	1,650,000
<hr/>	
Total held by non-residents.....	\$3,350,000
Capital of local banks held by citizens of Ohio.....	1,380,000
<hr/>	
Total amount of banking capital employed in Ohio....	\$4,730,000

Annual Cost of Foreign Banking Capital to People of Ohio. — The article then goes on to say that on all this foreign capital the people were paying about 9% interest each year, since the dividends of the banks ranged from 8 to 10% a year; that on the \$3,350,000 of stock held by non-residents this interest amounted to \$301,500, which was carried out of the state and pocketed by eastern and foreign capitalists. The point was then made that the money necessary to organize a State Bank could be obtained on long time state bonds directly from the East or Europe at 4%. That is, that the difference between 4% and 9%, or 5%, amounting to \$167,500, would represent the annual saving to the state under the proposed new system. In other words, the article continued, under the proposed system the same amount of interest as was then paid on 3½ millions of foreign capital would furnish nearly \$8,000,000.⁶⁶

Ohio Bank Notes depreciated beyond Vicinity of Issuing Bank. — The point was also made that the currency furnished by the local banks was but a poor one anyway, because the notes of a local bank might be very good in the immediate vicinity of the institution issuing them; but by the time they had traveled one hundred miles from home, they were refused unless at a discount, or, what too frequently happened, they were refused at any price.⁶⁷

Financial Disturbances early in 1834. — Soon after that the bills of Ohio banks in general were said to be at from 4

⁶⁶ Ohio Monitor, Dec. 12 and 19, 1833.

⁶⁷ Ohio Monitor, Dec. 19, 1833.

to 5% discount at Cincinnati, and several of the Ohio banks were reported to be very much embarrassed.⁶⁸ By January 1834, drafts on New York, which had until shortly before been easily procured at 1%, could scarcely be obtained at all in Ohio. A letter of January 10, 1834, from a Cleveland gentleman to one in New York states: "If matters continue long as they now are, the exchange will be 3 or 4% on New York."⁶⁹ He attributed this to the embarrassed state of money matters in the East. That section was then undergoing one of those disturbances to commerce, banking, and business generally, which were so numerous from 1834 to 1838.⁷⁰ And the pressure was beginning to be felt in the West and Southwest. Many doleful letters on the subject were published about that time in *Niles Register* from Mississippi and Louisiana.⁷¹ And that paper of the date of April 5, 1834, prints a letter from an Ohio man telling of the general distresses.⁷² The *Albany Daily Advertiser* about that time reported that some of the Ohio banks had stopped specie payment and that others were "tottering."⁷³

Defeat of the State Bank Bill. — The suspended and tottering Ohio banks referred to in the article mentioned above were probably unauthorized banks, many of which were continually springing up in the state during this period. But the number of chartered banks in the state was also largely increased early in 1834. The opposition to the State Bank on the part of many local banks that wanted charters from the legislature was so strong that the bill providing for a State Bank was killed in the legislature in January, the vote against it in the Senate on January 20th being 19 to 15.⁸³

More Local Banks Chartered. — Soon after the State Bank bill was defeated the legislature proceeded to grant charters to a batch of ten new local banks, the combined authorized capital of which amounted to \$4,400,000. The name, location,

⁶⁸ *Niles*, 45:434, Feb. 22, 1834.

⁶⁹ *Niles*, 45:373, Jan. 25, 1834.

⁷⁰ *Financial History of the U. S.* — Dewey, pp. 188 and 218.

⁷¹ *Niles*, 46:86, Apr. 5, 1834.

⁷² *Ibid.*, p. 84.

⁷³ *Niles*, 46:18, Mar. 8, 1834.

authorized capital stock, and date of charter of each of these banks are shown in the following table.

BANKS CHARTERED BY THE OHIO LEGISLATURE IN 1834.

Name.	Location.	Date of charter.	Capital stock authorized. ⁸⁴
⁷⁴ Ohio Life Insurance & Trust Co.	Cincinnati ...	Feb. 12....	\$2,000,000
⁷⁵ Bank of Wooster.....	Wooster	Feb. 14....	100,000
⁷⁶ Bank of Massillon.....	Massillon ...	Feb. 27....	200,000
⁷⁷ Bank of Xenia.....	Xenia	Mar. 1....	100,000
⁷⁸ Bank of New Lisbon.....	New Lisbon..	Mar. 3....	100,000
⁷⁹ Lafayette Bank of Cincinnati..	Cincinnati ...	Mar. 3....	1,000,000
⁸⁰ Bank of Circleville.....	Circleville ..	Mar. 3....	200,000
⁸¹ Bank of Cleveland.....	Cleveland ...	Mar. 3....	300,000
⁸² Bank of Sandusky.....	Sandusky ...	Mar. 3....	100,000
⁸³ Clinton Bank of Columbus.....	Columbus ...	Mar. 3....	300,000

The Clinton Bank of Columbus organized by office-holders.—Of the bank last mentioned above, the Clinton Bank of Columbus, it was claimed that the agents for lobbying it into existence had “covertly and hypocritically stifled the State Bank (an actual democratic bank; the People’s bank)”; and the charge was also made, within a year or two of its incorpora-

⁷⁴ Local Laws of Ohio, Vol. XXXII, (1834), p. 68.

⁷⁵ *Ibid.*, p. 76.

⁷⁶ *Ibid.*, p. 197.

⁷⁷ Page 283.

⁷⁸ Page 293.

⁷⁹ Page 299.

⁸⁰ Page 343.

⁸¹ Page 407.

⁸² Page 412.

⁸³ Page 419.

⁸⁴ See Dayton Jour., Mar. 11, 1834.

⁸⁵ Dayton Jour., Feb. 11, 1834.

Niles, 15:396, Feb. 8, 1834.

See following, page 390.

tion, that its directors were largely state and national office-holders, the *Ohio Monitor* of Feb. 4, 1836, stating that "the directory of that bank contains four United States office-holders (the whole of the civil officers in the place) and two state officers." The stock of this bank was all subscribed by September and notice published that the meeting for the election of its thirteen directors would be held Oct. 2, 1834.⁸⁶

Capital Stock of new Banks over-subscribed.— In fact the capital stock of all ten of these banks was rapidly taken up in spite of the financial disturbance early in 1834. On the day early in April when the books were opened in the town of Wooster for receiving subscriptions to the stock of the Bank of Wooster, \$25,800 more than the whole amount authorized was subscribed, nearly all, too, by citizens of the town and county. Towards the close of the time allowed for the books to remain open there was a press to get stock, and it was said that had the amount authorized been 50% more, it would easily have been subscribed.⁸⁷

When the books for subscription to the stock of the Bank of Cleveland closed on April 10, in accordance with the provisions of its charter, \$393,200 had been subscribed, an excess of \$93,200 over the capital authorized. The *Dayton Journal* of April 15, 1834, in commenting on this observed: "The promptness with which the stock of this bank has been taken up, is a flattering indication of the continued prosperity of the country and the confidence of capitalists in the value of the investment. The time for opening the books was the most unfavorable that could be, yet with all the cry of pressure and panic, there seems to be no lack of money when a profitable investment is to be made."

The Ohio Life Insurance and Trust Company.— Only \$1,000,000 of the capital stock of the Ohio Life Insurance and Trust Company was for banking purposes, and its privilege of issuing notes was to expire January 1, 1843, the date when most

⁸⁶ *Ohio Monitor*, Oct. 1, 1834.

⁸⁷ *Ohio Monitor*, Apr. 16, 1834.

Also *Dayton Journal*, Apr. 15, 1834.

of the bank charters in the state expired. Besides the power of note issue and other banking powers, this company was given authority to insure lives, to purchase and grant annuities, to receive and execute trusts of all kinds, and to buy and sell drafts and bills of exchange. Its management was in the hands of twenty trustees who must individually be stockholders to the amount of \$5,000.⁸⁸

The institution was one of the largest in the country, and it aroused a good deal of opposition among those who, even at that date, feared the growth of corporate monopoly. It was bitterly denounced as placing dangerous power in the hands of a few.⁸⁹ The following paragraph from an address of the Hon. R. T. Lytle in 1835 illustrates the popular feeling regarding "this new and dangerous monopoly," which loaned money all over the state on real estate security.⁹⁰

"The rate of interest at which they let out money, is nominally 7%, but in fact (in most cases) the rate averages from 10 to 15. . . . For instance, the borrower, before he can procure one cent of money is obliged to pay the agent of this bank for examining all the title papers of his land that is to be mortgaged, to pay for the execution and recording of a mortgage deed; to lose time in effecting the loan, so that it will cost him from 10 to 15% the first year besides the interest; and immediately upon receiving the loan the borrower has to advance, for the first six months' interest, at the rate of 7% per annum. At the end of every six months prompt payment is demanded, and if it should not be made at the day, yes, at the hour, it becomes due, the company can foreclose the mortgage, force a sale, and thus at one stroke sweep from a man his farm for the paltry sum of \$100 or \$200."⁹¹

⁸⁸ Cincinnati in 1841 — Charles Cist, p. 50. In 1841, M. T. Williams was President, J. M. Perkins, Cashier, and the Board of Trustees were from Cincinnati, Warren, Gallipolis, Columbus, Cadiz, and Dayton, Ohio, and also New York, Boston, Philadelphia, and New Orleans.

⁸⁹ Niles, 49:91, Oct. 10, 1835.

⁹⁰ Besides issuing its own notes, this company borrowed money all over the country at 3 to 4% interest, and then upon this capital it discounted at 7% payable in advance. — *Ohio Monitor*, May 13, 1846.

⁹¹ *Ohio Monitor*, (Columbus), Aug. 12, 1835.

The wide distribution of the operations of this company is illustrated by the fact that in January 1836, it had loans secured by real estate in at least 67 counties in the state, the amounts loaned in each county varying from a few hundred dollars to half a million. The total amounted to \$1,858,099 and was secured by pledges of real estate to the estimated value of \$4,338,117.⁹²

The report of the master commissioner on this company in 1836 speaks of the ability and integrity with which its affairs were conducted, of the prudence, safety, and productiveness of its investments, and of the safety of those holding its investments.⁹³ Nevertheless there was a bill before the legislature that year to repeal its charter. This bill had the support of most of the Democratic papers in the state, though some of them favored the bank.⁹⁴

The *Ohio Monitor* of March 14, 1836 gives a list of the stockholders of the Ohio Life Insurance and Trust Co., with the number of shares and amount of stock held by each, and comments regarding the stock thus: "Most of which, as may be discovered, is owned by the Wall Street gentry of New York." This paper also names the 20 trustees of the company, adding: "Three only, we believe, are citizens of Ohio and professing to belong to the democratic party." When the bill to repeal the charter of the company came to a vote in the legislature, however, it was postponed indefinitely by a vote of 40 to 27.⁹⁵

Revival of Miami Exporting Co. and Urbana Banking Co.

—After the ten banks chartered by the Ohio legislature in February and March 1834, no more were chartered that year; but the Urbana Banking Co., which had failed some time before 1830, was again doing business early in 1834.⁹⁶ and the

⁹² *Ohio Monitor*, Jan. 18, 1836. For amount loaned in each county see Appendix, p. 494.

⁹³ *Ohio Executive Document*, 1836, No. 1.

⁹⁴ *Ohio Monitor*, (Columbus), Feb. 25 and 29, and Mar. 10, 1836.

⁹⁵ *Ohio Monitor*, (Columbus), Mar. 14, 1836.

⁹⁶ *Ohio Senate Journal*, 1834, p. 638. See also Chapter V, p. 132.

Miami Exporting Co., which had been compelled to close its doors in 1822,⁹⁷ was revived and again put into operation during the year.⁹⁸

In his message of December 2, 1834, Governor Lucas stated that \$1,250,000 had already been paid in on the capital stock of eight of the banks incorporated at the previous session of the legislature; and in commenting on this he added: "The readiness with which the stocks in those banks has been taken is a cheering evidence of the existence of capital in the State."⁹⁹

Number and Capital of Ohio Banks in March 1835. — At the next session of the legislature a great many petitions for new banks were presented,¹⁰⁰ but the legislature refused to grant a single charter.¹⁰¹ At that time, however, there were twenty-seven authorized banks in operation in the state and their condition was generally considered quite sound.¹⁰² These consisted of ten of the eleven old banks remaining in 1830,¹⁰³ the thirteen new ones chartered from 1831 to 1834, and four others chartered prior to 1830, but which had been either revived after failing once, or encouraged to issue their capital stock, which had previously remained unsubscribed.

The main facts as to their financial condition may be seen from the following items from reports made by them to the state auditor in January 1835.

⁹⁷ See Chapter I, p. 260, and Chapter V, p. 346.

⁹⁸ Ohio House Journal, 1837, p. 139.

⁹⁹ Ohio House Journal, 1835, p. 16.

¹⁰⁰ Ohio Executive Document, 1844, No. 1, p. 17.

¹⁰¹ Niles, 48:145, May 2, 1835.

¹⁰² Dayton Journal, Mar. 10, 1835.

Ohio Senate Journal, 1835, p. 202. (Minority Report of Committee on Finances, Jan. 7, 1835).

¹⁰³ See Chapter V, p. 349. The Bank of Steubenville had dropped out in the meantime.

STATISTICS OF OHIO BANKS, MARCH 1835.

Authorized capital stock.....	\$12,200,000
Capital stock paid in.....	5,847,525
Specie	2,489,912
Discounts	6,799,247
Total circulation	4,561,898
Circulation under \$5.....	1,128,577
Circulation over \$5.....	3,382,321

From the foregoing it appears that the entire circulation of the chartered banks in Ohio at that time was considerably less than their paid in capital, while they had on hand more than one dollar of specie for every two dollars in circulation, which indicates a very good condition. This conclusion is strengthened by a report of the committee on finances made to the Ohio Senate January 7, 1835, which says: "The banks of Ohio are sound and conducted with prudence and security to the public, nor is there a suggestion of inability or want of disposition to fulfill their engagements."¹⁰⁴

Details of Ohio Banking Statistics in 1835. — The available banking statistics of the time, however, are so scattering that it is difficult to draw definite conclusions. For example, the Ohio State Auditor's report of January 30, 1835 on the condition of the Ohio banks gives reports for only sixteen banks,¹⁰⁵ whereas there were nearly twice that many in the state. A statement in relation to state banks transmitted to the United States House of Representatives by Secretary of the Treasury, Levi Woodbury, on January 5, 1836 lists thirty-one local banks in Ohio in 1835.¹⁰⁶ The statistics of fifteen of

¹⁰⁴ Ohio Senate Journal, 1835, p. 202.

¹⁰⁵ Ohio Senate Journal, 1835, p. 523.

A part but not all of the banks in the state were required by their charters to make regular reports to the state auditor. — See Report Aud. of State, Jan. 1836, relative condition certain banks.

¹⁰⁶ H. R. Doc. No. 42, 24th Cong., 1st Session, pp. 78 and 79.

See also "A Hist. of the State of Ohio" — Atwater, (1838), p. 315.

them, evidently taken from the state auditor's report mentioned above, are given pretty fully for January 1835; the next three are also fairly complete, but for May 1835; then follow six as of November 1835 with pretty complete statistics; three as of January 1835, with figures for loans, specie, capital, and circulation; and 2 as of January 1835 with figures only for specie capital and circulation; while the last two are named without giving any statistics.

The first twenty-four banks named show the following totals.

CONDITION OF TWENTY-FOUR OHIO BANKS IN 1835.

Stocks	\$2,500 00
Loans and Discounts.....	9,751,973 20
Real Estate	108,501 31
Due from Banks.....	1,433,836 93
Bank Notes	1,272,268 53
Specie	1,707,835 95
Other Investments	44,531 37
Capital	5,819,692 28
Deposits	2,090,065 65
Due to Banks.....	667,942 50
Circulation	5,221,520 80
Other Liabilities	213,713 94

Proportion of Specie to Circulation.—The foregoing figures show a proportion of specie to circulation of nearly one-third. The proportion shown by nineteen banks reporting in January was 30% ; the three reporting in May showed 45% , and the six reporting in November 35% ; while the twenty-eight banks for which figures of specie and circulation were given show that they had specie on hand equal to fully a third of their circulation.

The amount of loans, specie, capital, and circulation shown for each bank, together with the totals, are given in the following table, the cents, however, being omitted.

STATISTICS OF CHARTERED BANKS IN OHIO IN 1835.¹⁰⁷

Name of Bank. ¹⁰⁸	Loans and Dis- counts.	Specie.	Capital.	Circulation.
1. Lancaster, Ohio, Bank.....	\$556,394	\$79,415	\$184,700	\$357,529
2. Dayton Bank	242,719	92,250	102,640	214,125
3. Farmer's Bank of Canton.....	169,691	51,973	70,000	207,091
4. Belmont Bank of St. Clairsville....	275,065	41,401	155,550	197,978
5. Commercial Bank of Lake Erie....	507,770	51,599	249,344	304,745
6. Urbana Banking Company.....	141,478	30,309	50,241	136,492
7. Bank of Sandusky.....	36,885	18,012	50,000	34,000
8. Western Reserve Bank.....	232,115	50,816	144,057	149,175
9. Chillicothe Bank	518,167	85,129	350,500	362,782
10. Bank of Muskingum.....	125,832	30,465	110,650	141,372
11. Bank of Marietta.....	126,322	17,018	71,750	82,451
12. Commercial Bank of Scioto.....	123,687	17,316	92,892	78,648
13. Bank of Mt. Pleasant.....	299,520	38,919	187,584	137,637
14. Franklin Bank of Columbus.....	567,942	152,745	434,425	345,376
15. F. & M. Bank, Steubenville.....	260,334	61,818	117,319	229,576
16. Commercial Bank of Cincinnati....	1,481,465	141,849	1,000,000	285,817
17. Franklin Bank of Cincinnati.....	1,622,234	175,152	1,000,000	372,514
18. Clinton Bank of Columbus.....	367,614	82,605	155,000	198,326
19. Bank of Zanesville.....	264,247	40,326	146,510	193,505
20. Bank of Circleville.....	388,873	60,352	200,000	243,000
21. Bank of Norwalk.....	275,239	31,522	132,521	222,120
22. Bank of Xenia.....	124,638	65,603	71,040	105,000
23. Ohio Life & Trust Co.....	898,707	359,588	675,367	536,390
24. Bank of Hamilton.....	145,027	28,613	65,000	86,550
25. Bank of Cleveland.....	73,060	50,056	102,000	76,998
26. Bank of Massillon.....	155,180	71,345	100,000	176,048
27. Bank of Wooster.....	90,435	48,118	62,048	96,941
28. Bank of Geauga.....		39,359	57,000	80,541
29. Lafayette Bank of Cincinnati.....			250,000	
Total	\$10,071,250	\$1,916,715	\$6,390,741	\$5,654,048

¹⁰⁷ House Document, No. 42, 24th Cong., 1st Sess. pp. 82 and 83. Jan. 1836.¹⁰⁸ Two other banks named but without figures: The Columbian Bank of New Lisbon and the Miami Exporting Company of Cincinnati.

Distribution of Chartered Banks by Counties and Ratio of Capital to Population in 1835. — The 31 chartered banks in Ohio in 1835 were located in twenty-two counties whereas only nine counties had authorized banks in 1830. The relation of paid in capital stock to population for the whole state in 1835 was about \$5.50 to each person, while in 1819 it was approximately \$4.00, and in 1830 only a little over \$1.50.¹⁰⁹

The distribution of the authorized banks by counties in 1835, the estimated population of each county in which a bank was located, the total capital stock of the banks in each county, and the amount per capita in each county are shown in the following table.

¹⁰⁹ See Chapter III, p. 307, and Chapter V, p. 249.

DISTRIBUTION OF BANKS AND CAPITAL IN OHIO IN 1835.

Name of Bank. ¹¹⁴	County.	Population in 1835. ¹¹⁵	Number of Banks.	Capital Stock.	
				Paid in.	Per Capita. ¹¹³
Belmont Bank of St. Clairs-ville	Belmont	29,764	1	\$155,550	\$5.226
Bank of Hamilton	Butler	27,668	1	65,000	2.350
Urbana Banking Company..	Champaign	14,376	1	50,212	3.495
Columbiana Bank of New Lisbon	Columbiana	37,985	1	¹¹¹ 90,000	2.369
Commercial Bank of Lake Erie	Cuyahoga	18,440	2	240,344	19.053
Bank of Cleveland				102,000	
Bank of Sandusky	Erie	¹¹⁰ 12,509	1	50,000	3.969
Lancaster, Ohio, Bank	Fairfield	28,355	1	184,700	6.514
Franklin Bank of Columbus.	Franklin	19,805	2	434,425	29.627
Clinton Bank of Columbus..				155,000	
Bank of Xenia	Greene	16,165	1	74,040	4.580
Commercial Bank of Cincinnati				1,000,000	48.655
Franklin Bank of Cincinnati				1,000,000	
Ohio Life & Trust Co., Cincinnati	Hamilton	66,231	5	675,367	
Lafayette Bank of Cincinnati.				250,000	
Miami Exporting Co., Cincinnati				¹¹² 297,085	7.111
Bank of Norwalk	Huron	18,637	1	132,521	
Bank of Mt. Pleasant				187,384	12.824
Farmers' & Mechanics' Bank of Steubenville	Jefferson	23,760	2	117,220	
Bank of Geauga, Painesville					4.155
Dayton Bank	Lake	¹¹⁰ 13,719	1	57,000	
Bank of Muskingum, Putnam	Montgomery	28,150	1	102,640	3.646
Bank of Zanesville	Muskingum	34,012	2	110,650	7.554
Bank of Circleville				146,511	
Bank of Chillicothe	Pickaway	17,803	1	20,000	11.196
Commercial Bank of Scioto, Portsmouth	Ross	25,764	1	350,300	13.596
Farmers' Bank of Canton..	Scioto	9,966	1	92,802	9.321
Bank of Massillon	Stark	30,569	2	70,000	5.561
Western Reserve Bank				100,000	
Bank of Marietta	Trumbull	32,130	1	144,058	4.484
Bank of Wooster	Washington	16,277	1	71,750	4.408
	Wayne	29,571	1	62,049	2.098
Total for 22 counties..		551,926	31	\$6,777,828	\$12.280
Total for State (78 counties)		1,228,685	71	6,777,828	5.516

¹¹⁵ The population figures here given were obtained by adding to the population of the various counties in 1830 one-half the gain as shown by the census figures of 1840.

¹¹⁶ Population in 1840. County not organized in 1830.

¹¹⁴ List of banks and capital as given in Secretary of the Treasury, Levi Woodbury's statement in relation to State Banks and Banking Companies, transmitted Jan. 5, 1836. H. R. Doc. No. 42. 24th Cong., 1st Sess. Pages 78 to 83.

¹¹¹ Amount given in the report of the Ohio Bank Commissioners of Dec. 17, 1842, page 32.

¹¹² Amount given in Gouge's Journal of Banking, June 22, 1842, page 403.

¹¹³ Computed by dividing the banking capital in each county by the population of the county in 1835.

Climax of the Inflation in 1836.—In 1836 the second period of bank note inflation in Ohio reached its climax, the circulation of the authorized banks in the state, as reported to the United States Treasury, amounting to \$9,675,644, a point not attained again until 1850.¹¹⁶ This was an increase of more than 70% over the circulation in 1835. The loans and discounts in 1836 also showed an increase of nearly 70% over those of 1835, the amount reported in 1836 being \$17,079,714.¹¹⁷

The "No Bank" Party in Power.—These gains were made by extending the operations of the existing banks rather than by increasing the number of banks, only one new bank being organized in the state in 1836, which brought the number of Ohio banks up to thirty-two.¹¹⁸

That no more banks were chartered at this time, when all over the country the demand for more banking facilities was at its height, was largely due to the fact that the hard money wing of the Democratic party was gaining power in the state legislature. This faction, known as the "no bank" party and just coming to be called "Loco focus", were inclined to believe with Jackson that gold and silver were the "true constitutional currency" of the country, and to look askance upon the rapid increase of banks and paper money.¹¹⁹

Report of Legislative Committee against chartering more Banks.—The legislature in 1835 had refused to charter any banks,¹²⁰ the House committee on banking in reporting February 13 against the incorporation of a bank at Youngstown, de-

¹¹⁶ Report of U. S. Comptroller of the Currency, 1876, p. CXVI.

See also Appendix, p. 511.

¹¹⁷ Ibid. Also Hist. of Ohio—Atwater, p. 315.

For figures of 1835 see preceding, p. 375.

¹¹⁸ The Bank of Manhattan was organized at Toledo, Ohio, Mar. 25, 1836.—History of Banking—Knox, p. 677.

This bank had originally been incorporated under the laws of the Territory of Michigan, when jurisdiction was claimed by the latter. That jurisdiction was withdrawn before the bank began business. Michigan commenced court proceedings. The bank was closed by mandamus July 29, 1840.—Special rept. bank com'rs, 1842, p. 39. Laws of Ohio, 37:212.

¹¹⁹ Division and Reunion—Wilson, pp. 90 and 95.

¹²⁰ Niles, 48:145. May 2, 1835.

claring that it was questionable whether the citizens of the state favored the establishing of any more banks.¹²¹ A similar legislative committee in 1836, considered petitions to establish banks at thirty-four places, reported that while a large proportion of the existing banks were enabled by their charters to extend their capital to \$500,000 very few had done so, some employing less than half that amount. The committee, observing that it seemed therefore that an increase of banking capital was not required, and adding that the produce of the state and all kinds of property were very high in value while the price of labor remained nearly as it was, concluded by recommending that no further banking privileges should be granted that session.¹²²

United States Treasury Department urges States to suppress Small Bank Notes. — Closely related to this belief that the expansion of bank paper should not proceed too far at the expense of the metallic circulation was the passage of a law by the Ohio legislature on March 14, 1836, prohibiting the circulation of small bills.

The chief objections to small notes were: first, that they were more likely than larger notes to be issued and kept out in excess since they were very imperfectly convertible into coin, the holders being from poverty, ignorance, or distance so often unable to present them promptly at the proper place for redemption; and second, that they tended to drive out the specie from the districts where they passed current, thus increasing the amount of paper the bank might be called upon to redeem, and, at the same time, decreasing the amount of specie in the community which the bank might get in to use in redeeming

¹²¹ Ohio House Journal, 1835, p. 714.

The statement was made in this report that there was already a bank in Trumbull County with an authorized capital of \$500,000.

¹²² Ohio House Journal, 1836, p. 522. See also Ohio Monitor, Jan. 21, 1836.

From the table given above on page 373 it may be seen that in 1835, the 27 banks with an authorized capital of \$12,200,000 had paid in capital of only \$5,847,525.

its notes. In short the small notes militated against convertibility and tended to produce excess.¹²³

In his report on the currency February 24, 1820, Secretary of the Treasury Wm. H. Crawford had advocated restraining banks from issuing notes of small denominations, as one means of preventing fluctuations in the currency. And Albert Gallatin in 1831 urged the states to suppress small notes as a means of enlarging the circulating metallic currency, pointing out that as a currency small notes were exclusively local, and that in case of any bank failure the loss arising from them fell most heavily on the poorer class of the community, since they were most likely to be the holders of the small notes.¹²⁴ During most of the 30's the United States Treasury Department kept urging the states to exclude the small bank notes from circulation so as to enlarge the quantity of specie in the country and increase the use of it.¹²⁵

Governor Lucas recommends Prohibition of Bills less than \$5. — In October 1834 the Albany Argus stated that New York was about to prohibit the issue of all bills under \$5.¹²⁶ The same thing was urged upon other states by Governor Marcy of New York. A letter of his on the subject was transmitted to the Ohio legislature by Governor Lucas in his message of December 2, 1834, which recommended favorable action.¹²⁷

Committee of Ohio Legislature reports Right to issue Small Bills a Vested Right granted in Bank Charters. — The legislature at once referred the subject to a joint committee of both houses,¹²⁸ which reported a fortnight later, December 23, that while there probably was an alarming disproportion between

¹²³ See Money, Trade, and Industry — Walker, pp. 303-305.

The point was also made that the small notes were largely held by the very class most likely to be the first subjects of a panic.

¹²⁴ Considerations on the Currency — Gallatin, p. 57.

On January 31, 1831, the Ohio legislature passed an act to prohibit within the state the circulation of foreign bank bills less than \$5. — Laws of Ohio, XXIX, (1831), p. 460.

¹²⁵ Reports on Finance, 1837-44, p. 252.

¹²⁶ Niles, 47:129, Nov. 1, 1834.

¹²⁷ Ohio House Journal, 1835, p. 16.

¹²⁸ Niles, 47:293, Jan. 3, 1835.

the quantity of specie and notes in New York, the same was not true in Ohio. Yet, they added, other reasons of convenience and expediency would lead them to favor the suppression of notes less than \$5, if the legislature had not granted the rights in the charters of the banks; but, these rights thus being vested rights, direct legislation was not practicable, though indirectly the legislature might discredit such small notes by prohibiting the state and county treasurers from receiving for taxes notes less than \$5 or of any denomination issued by an Ohio bank unless it should before July 4, 1835 notify the auditor that it would cease to issue notes less than \$5 and surrender the privilege.¹²⁹

Extent of Circulation of Small Bills. — Niles, commenting on the measure in his *Weekly Register* of January 3, 1835, expressed the opinion that very few bills of Ohio banks less than \$5 were circulating in Ohio, hence that if small notes were suppressed there, the effect would chiefly be on those of New York which abounded in Ohio.¹³⁰

A report of the Ohio state auditor, January 19, 1835, on the extent of the circulation of small bills, gave returns of twenty-two banks as follows: of \$1 bills outstanding, \$17,067; of \$2 bills, \$97,928; of \$3 bills, \$313,449; while the total amount in circulation was \$1,052,729.58.¹³¹ At that time it was said in the New England States, New York, and New Jersey the amount of bills less than \$5 was equal to nearly half the aggregate of all bills issued in those states, and that the amount of them issued in those states alone equaled 8/9 of the specie in all the state banks in the country.¹³²

Niles' *Register* of April 4, 1835 reported that New Jersey and Maine had both passed bills prohibiting notes less than \$5; and that Pennsylvania, Maryland, Virginia, and several other states were all without a circulation of bank notes less than \$5.¹³³ The Ohio legislature, however, apparently did not think

¹²⁹ Ohio Senate Journal, 1835, p. 128.

¹³⁰ Niles, 47:293.

¹³¹ Ohio Senate Journal, 1835, p. 432.

¹³² Niles, 48:430, Aug. 15, 1835.

¹³³ Niles, 48:73.

conditions in the state warranted legislation at that time and the matter was allowed to go over until the next session.

The Banks requested by the Legislature to surrender their Rights to issue Small Notes. — Promptly upon the beginning of the following session in December 1835, however, the senate adopted a resolution instructing the state auditor to request the local banks, which were not bound by their charters to do so, to report to the legislature, among other things, the amount of notes on hand of denominations less than \$5 and to state whether they were "willing to surrender so much of their charters as authorized the issuing of bills of a less denomination than five dollars."¹³⁴

Replies of the Banks. — The banks were to report by January 20, if convenient. Several, namely, the banks of Xenia, Massillon, Hamilton, and New Lisbon, together with the Lafayette Bank of Cincinnati sent in no answer to the last question. Three expressed unwillingness to comply unconditionally.¹³⁵ Five absolutely declined.¹³⁶ The directors of a number said that they had no power to surrender any of their franchise without the consent of their stockholders. The Bank of Norwalk, on January 1, 1836, replied: "The following facts are within the knowledge of the officers of this institution. That notwithstanding the law of this state prohibiting the circulation of small notes of foreign banks they continue to compose a considerable portion of our currency; that loans of such notes have been made by Eastern banks for use here; that the attempts in Eastern States to suppress them have not been successful; that loans of large amounts of small notes have been made by the banks in Ohio to be used in Eastern States, where their circulation is prohibited; and that such notes have obtained an extensive circulation from the presumed necessity of such a currency to supply the ordinary demands of business."¹³⁷

¹³⁴ Report of State Auditor, January, 1836.

¹³⁵ The Franklin Bank of Cincinnati, the Commercial Bank of Cincinnati, and the Dayton Bank.

¹³⁶ The Banks of Geauga, Norwalk, Steubenville, Marietta, Scioto, and St. Clairsville.

¹³⁷ Ohio State Auditor's Report, January, 1836, p. 13.

The Farmers' and Mechanics' Bank of Steubenville, on January 6, replied favorably but thought the withdrawal of the small notes ought not to be sudden.¹³⁸ The Franklin Bank of Columbus stated that it feared the sudden withdrawal of such notes "would produce not only inconvenience, but much public distress. To supply their place in the circulation would, necessarily, require nearly one-fourth of the specie now in the banks, and a curtailment of discounts must follow, in the prudent exercise of banking to double that amount. The consequence must be a very general derangement in the business of the State. It is also apprehended that reluctance will be felt to pay large proportions of specie in exchange for the notes of distant banks, and that consequently a pernicious system of artificial depreciation and brokerage will be generated."¹³⁹

The Law of Mar. 14, 1836 prohibiting the Issue and Circulation of Small Notes by Ohio Banks. — It will be seen from these replies that the Ohio banks did not display any violent enthusiasm over the invitation to give up their privilege of issuing small notes. But the legislature was bent on accomplishing this result, and since direct prohibition appeared a violation of vested rights, it resolved to try an indirect method through the taxing power.

By charter provisions the tax on the Commercial Bank of Cincinnati was limited to 4% on its dividends and that on the Franklin Bank of Cincinnati to 5%. All of the other banks in the state paid 5% on their dividends under the tax law of Mar. 12, 1831; but none of them was exempt from further taxation under a general law.¹⁴⁰ Consequently, on Mar. 14, 1836, the legislature passed a law which subjected all the banks in the state, except the two named above, to a tax of 20% on their annual dividends, unless they should by July 4, 1836 surrender their rights to issue or circulate bills less than \$3 after July 4, 1836, or less than \$5 after July 4, 1837. If the banks should surrender these rights then the tax on their dividends

¹³⁸ *Ibid.*, p. 14.

¹³⁹ State Auditor's Report, January, 1836, p. 20.

¹⁴⁰ See case of Ohio Life Insurance and Trust Company vs. Henry Debolt, Treasurer of Hamilton County — 16 Howard 421.

was to remain at 5% from the time of surrender.¹⁴¹ The ascendancy of the Democrats in the legislature at that time is indicated by the vote on this measure. The law passed the Senate by a vote of 20 to 15, all the affirmatives being Democrats and all the negatives Whigs. In the House the vote was: for—38, all Democrats; against—28, all Democrats but 6.¹⁴²

Of the thirty-two banks in Ohio at the time this law was passed, all but five surrendered the right to issue small bills.¹⁴³ From the high point of \$9,675,644 in 1836, the circulation of the Ohio banks declined to \$8,326,974.80 in January 1837.¹⁴⁴ That this decrease in circulation was due largely to the withdrawal of small notes is probable, since during this same period the capital stock, deposits, loans, and specie of the Ohio banks each increased, while in the country as a whole the circulation of the banks increased by over 9 million dollars. The effect of the small note law in Ohio, therefore, seems to have been to bring to a close the second period of inflation in the state.

¹⁴¹ Ibid., p. 422. Also Laws of Ohio, Vol. XXXIV, (1836), p. 42.

¹⁴² Ohio Statesman, (Columbus), June 27, 1838.

Ohio House Journal, 1836, pp. 711 and 712.

¹⁴³ Ohio Executive Document, 1838, No. 54.—Report of State Auditor, Jan. 16, 1839.

The 5 banks that neglected or refused to comply were: The Urbana Banking Co., the Bank of Circleville, the Miami Exporting Co., the Franklin Bank of Cincinnati, and the Commercial Bank of Cincinnati.

¹⁴⁴ Ohio Executive Document, 1836, No. 42.

CHAPTER VII.

THE PANIC OF 1837 AND THE RESULTANT PERIOD OF DEPRESSION. 1837-43.

The National Government tries to check Bank Note Inflation. — The prohibition of the issue and circulation of small notes in Ohio was but a part of a general movement at that time, a great many of the states being induced to take similar measures. Niles' Register of October 1, 1836 names thirteen other states that had already prohibited their banks from issuing any notes under \$5.¹ This movement was largely induced by the national administration, which also made arrangements with the deposit banks that they should not issue notes of less than \$20, nor of an amount greater than three times their specie. This was with the view of restricting the volume of bank notes and increasing the circulation of specie. But, as President Woodrow Wilson says, "no small expedients could stay the rising tide of bank circulation, could provide capital to uphold that circulation, or assuage the fever of speculation that had fallen upon the country."² The undue extensions of credit and speculation together with the other excesses incident to the rapid expansion of the period were about to bear fruit in panic and depression.³

The Specie Circular. — The inevitable crash was precipitated by President Jackson's famous specie circular of July 11, 1836. The remarkable increase in public land sales in 1835 and 36,⁴ due to speculation principally, was bringing into the

¹The states named were: New York, Pennsylvania, Virginia, Georgia, Louisiana, Indiana, Alabama, New Jersey, Maryland, North Carolina, Tennessee, Kentucky and Maine. — Niles' Register, 51:80.

²Division and Reunion, p. 90.

³See Chapter VI, pp. 354 and 355.

⁴These receipts in 1835 were \$14,757,600.75; in 1836 they rose to \$24,877,179.86, exceeding for the first and last time the receipts from customs.

See Appendix, p. 493.

Also Dewey's Financial History, p. 217.

Treasury such a flood of depreciated bank paper, that the President, convinced no doubt that there were no longer any specie-paying banks, decided to assure the Treasury of sound money by confining the land receipts to gold and silver. Accordingly on July 11, 1836, the treasury department issued what is known as the "specie circular", which directed the land agents thereafter to accept nothing but specie in payment for public lands.⁵

Relation of Bank Note Inflation to Public Land Sales. — The conspicuous part played by land speculation during the inflation period prior to 1837, and its close connection with bank note inflation have been noted in the preceding chapter.⁶ The following diagram will illustrate how closely the receipts from public land sales were related to the circulation of bank notes.

General Suspension of Specie Payment. — The check put upon land speculation by the issue of the specie circular is indicated by the sudden drop in public land sale receipts from nearly twenty-five million dollars in 1836 to less than seven millions in 1837.⁷ This of course seriously affected most of the western banks, and through them many of those in the East. The difficulty was increased by the credit entanglements of the banks due to the distribution of the surplus, which began in January, 1837.⁸ About the same time financial troubles in England occurred and English creditors began to call in their loans, many of which had been made in this country.⁹ This, together with an adverse balance of trade, caused a heavy drain for coin upon the banks in the seaboard cities with the result that, on May 10, 1837, the New York banks suspended specie payment.¹⁰ The banks in the large northern cities followed the next day and those in all the rest of the country as soon as the news reached them.¹¹

⁵ Division and Reunion — Wilson, p. 91.

⁶ See pp. 355, 357, 358.

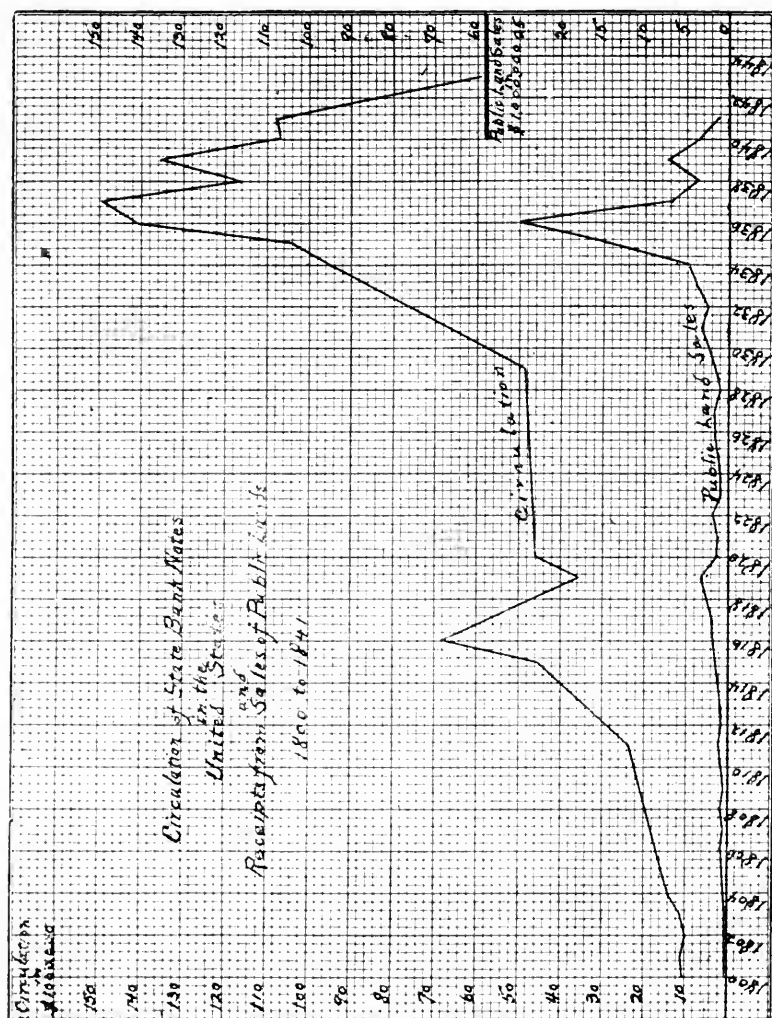
⁷ See Appendix, p. 493.

⁸ See Chapter VI, pp. 356-7.

⁹ See Chapter VI, p. 353.

¹⁰ Men and Measures of Half a Century — McCulloch, p. 59.

¹¹ Ibid., Also Dewey's Financial History, p. 230.



The panic of 1837. — The panic which had thus overtaken the country was intensified by American crop failures in 1837 and 1838 and a period of depression followed, which lasted until the summer of 1843.¹² "Commercial distress was deep-seated and recovery was slow; not until the latter half of 1838 did banks generally resume specie payments; even then some of the banks were unable to live up to their professions,—the banks of Philadelphia for example suspended again October 9, 1839, and did not resume effectively until March, 1842; in this vacillating and discouraging policy they were followed by many others, particularly in Rhode Island, New Jersey, and the South and West."¹³

Causes of Suspension of Ohio Banks. — The Ohio banks were no exception to the general suspension that took place in May, 1837. The causes which led to their suspension were stated by the Ohio banks to have been the previous suspension of all the eastern, northern, and southern banks and the consequent impossibility of converting their resources into coin.¹⁴ They held that a continuance of specie payments under such conditions would have subjected them to heavy and constant drafts on their coin, and that, too, by banks of other states which had closed their doors to that mode of payment. They also mentioned, as a contributory factor, the refusal of the land offices to take bank paper in payment for public lands.¹⁵

The suspension by the Ohio banks was nearly simultaneous, and without concert, showing that similar views and similar feelings influenced them to the course they took.¹⁶ They were generally considered to be in a sound condition at the time, and by general consent continued the gradual reduction of their circulation which they had begun in 1836.¹⁷

¹² Crises and Depressions — Burton, p. 282.

¹³ Financial History of the U. S. — Dewey, p. 232.

¹⁴ Ohio Exec. Doc., 1837-8, No. 30. — Auditor's Rep't, Jan. 27, 1838.

It should be noted in this connection that the Ohio Statesman, (Columbus), of January 2, 1837, states that some of the Ohio banks had for six months been refusing the payment of specie.

¹⁵ History of Banking in the U. S. — Knox, p. 675.

Ohio Bank Convention, June 1837.—On June 5, 1837 a convention of the Ohio banks was held at Columbus, at which twenty-three of the thirty-two chartered banks then in the state, were represented. The banks present pledged themselves not to part with any of their gold or silver; to manage their affairs so as to be able to resume specie payments at "any moment;" to receive of their customers in payment of debts the notes of all the banks represented in the convention; to discountenance improvident issues of paper,—each bank to pay out the paper of the others in preference to its own, so as to reduce the circulation; and that each bank would furnish the others with a certified statement of its condition every sixty days.¹⁸

Statistics of Ohio Banks in 1837.—The condition of the authorized banks of Ohio at three different periods in 1837 are shown in the following table, from which it may be seen that while the capital shows a continual increase, the circulation shows a continual decrease from January to December.

CONDITION OF AUTHORIZED BANKS IN OHIO ON THREE DIFFERENT DATES IN 1837.

	<i>January.</i> ¹⁹	<i>May.</i> ²⁰	<i>December.</i> ²⁰
Capital stock paid in.....	\$9,247,296 98	\$10,870,089 25	\$11,331,618 96
Circulation	8,326,974 80	7,697,261 30	6,221,136 90
Deposits	3,464,450 21	6,857,282 57	5,232,529 54
Due to banks.....	1,471,659 60	1,142,965 76	481,344 38
Due Treasurer of U. S....	4,126,483 30	1,279,894 75	348,905 67
Surplus fund .....	.....	143,913 12	114,878 12
Contingent fund	306,837 99	110,183 02	129,412 52
Expenses .....	.....	28,596 56	19,566 74
Profits	554,884 27	883,835 39	596,538 77
Discounts	18,178,699 97	19,505,662 84	17,212,694 23
Loans to directors and stockholders .....	.....	2,388,830 52	1,466,174 56

¹⁸ Ibid.

¹⁹ Ohio Exec. Doc., 1837-8, No. 1. Gov. Vance's Message of Dec. 5, 1837. See also Chapter VI, p. 383.

²⁰ Dayton Journal, June 13, 1837.

²¹ Ohio Exec. Doc. 1836, No. 42.—State Auditor's Report of Jan. 20, 1837.

²² Ohio Exec. Doc. 1837, No. 30.—State Auditor's Report of Jan. 27, 1838.

Due from banks.....	4,597,597 46	2,763,011 43	1,310,338 12
Specie on hand.....	3,153,334 91	2,311,611 44	2,671,212 69
Notes of other banks on hand	1,710,827 48	1,151,485 93	861,597 08
Real estate and other in- vestments	271,558 96	398,074 04	387,127 26

From the above table it may be seen that the deposits show a big increase from January to May, the time of suspension, and then a decrease, not so large, however, from May until December; and also, that while the specie on hand was less in May than in January, it had regained some of this loss by December.

Repeal of Law prohibiting Small Notes.—Governor Vance in his message of December 5, 1837 called attention to the decrease of circulation and increase of specie made by the banks during the preceding six months, remarking: "Our commercial and agricultural wants require a circulation capable of expansion today and contraction tomorrow."²¹ As a member of the Whig party, again in power in Ohio, he favored the repeal of the small note law, which, passed by the Democrats in 1836, had considerably restricted the note issues of the banks. Accordingly the legislature, on March 13, 1838,²² passed an act repealing the law of March 14, 1836, which had prohibited notes less than \$5.²³

²¹ Ohio Exec. Doc. 1838-9, No. 1.

Ohio Statesman, Dec. 5, 1837.

It may be noted here that his critics claimed that he overlooked the fact that part of the specie represented special deposits of the government over which they had no control; and that much of the reduction of circulation was due to an exchange of each other's notes between the banks as soon as they had suspended.—Ohio Statesman, Dec. 8, 1837.

The Ohio Statesman of Feb. 16, 1838 gives statistics of certain banks on May 11, 1837, which shows them to have had the following ratios of circulation to specie:

Massillon Bank	\$13	in paper to \$1 in silver.
Canton Bank	23½	in paper to 1 in silver.
Sandusky Bank	9	in paper to 1 in silver.
Urbana Bank	11½	in paper to 1 in silver.
Miami Exporting Co. (Cin.)...	4	in paper to 1 in silver.
Miami Export. Co. (Conneaut)	13	in paper to 1 in silver.

²² Laws of Ohio, Vol. XXXVI, (1838), p. 55.

²³ See Chapter VI, p. 382.

Partisan Nature of the Vote. — The partisan nature of the contest over the repeal of the small note law is shown by the vote on the act of March 13, 1838. In the Senate the 18 yeas were all Whigs, and the 16 nays were all Democrats but one; in the House the measure was passed by a unanimous Whig vote, every Democrat voting against it.²⁴ Some light may be thrown upon the reason for this vote by the fact that of 405 bank officials in the state in 1837, 341 were said to be Federals, (Whigs), while only 64 were Democrats.²⁵

Resumption of Specie Payment. — The law of Mar. 13, 1838 provided that those banks which had surrendered the right to issue bills less than \$5 might again issue such if they would redeem in specie. They were required to resume specie payment by July 4, 1838 provided the banks of New York, Philadelphia, and Baltimore should have resumed by that time.²⁶ But the latter banks did not resume by that date. They held a convention in Philadelphia July 23, however, at which they agreed to resume specie payment August 13, 1838.²⁷ The Ohio banks had announced from the first that they stood ready to resume specie payment as soon as resumption had taken place generally in the eastern cities.²⁸ Accordingly at a convention held in Columbus, soon after the Philadelphia bank convention, the Ohio banks decided that they also would resume specie payment on the 13th of August.²⁹ The banks represented in the Philadelphia convention did resume on that date; others followed their example, and Niles' Register of August 18, 1838, says: "It is certain that every solvent bank in the country will pay specie on demand on or before the first day of January next."³⁰

²⁴ Ohio Statesman, June 27, 1838.

²⁵ The number of Federals and Democrats among the Presidents, Cashiers, Tellers, Directors, and Agents of each bank is given in the Ohio Statesman of August 9, 16, and 23, 1837.

²⁶ Laws of Ohio, Vol. XXXVI, p. 55.

History of Banking in the United States — Knox, p. 672.

²⁷ Niles, 54:369, Aug. 11, 1838.

²⁸ Ohio Exec. Doc. 1837-8, No. 30.

²⁹ Columbus Journal, Aug. 3, 1838.

³⁰ Niles, 54:385.

Statistics of Ohio Banks in 1838. — The following table will show the condition of the Ohio banks on June 1, 1838, a short time before their resumption of specie payment.³¹

Notes and bills discounted.....	\$14,968,675	
Deposits in eastern cities.....	2,078,899	
Due from banks.....	729,077	
Bank notes	1,115,281	
Specie	2,879,209	
Real and personal estate.....	361,160	
Other investments	2,790	
	<hr/>	\$22,165,091
Capital stock paid in.....	\$9,835,199	
Circulation	6,340,947	
Deposits	2,818,464	
Due to banks.....	624,591	
Surplus	1,152,619	
Due U. S. Bank.....	744,643	
Due U. S. Bank on time.....	618,718	
	<hr/>	\$22,165,091

Suspension again in 1839. — The effects of the great revulsion of 1837 were gradually subsiding, when the suspension in Pennsylvania in October 1839, was followed by nearly all the banks of the Southern and Western States.³² The Second Annual Report of the Bank Commissioners of Ohio, December 20, 1840 says: "With the exception of Ohio, the banks west and south of New York have been in a state of suspension for the last fourteen months. This fatal policy commencing in the city of Philadelphia, where there is a vast amount of banking capital, created a general panic in the West."³³ Even Ohio banks did not entirely escape, but upon the suspension of the Philadelphia banks in October 1839, several Ohio banks suspended specie payment for a period of not over thirty days.³⁴ "The panic thus created would undoubtedly have been followed by a general suspension of all our banks, as in 1837," says the First Report of the Ohio Bank Commissioners, "had it not been prevented by

³¹ Dayton Journal, June 12, 1838.

³² Ohio Exec. Doc. 1840, No. 21, p. 5.

³³ Page 6.

³⁴ Ohio Exec. Doc. 1839, No. 22, p. 12.

the salutary operation of the law of the last session of the General Assembly."³⁵

The Bank Commissioner Law. — The law here referred to was that passed on February 25, 1839,³⁶ which provided that the amount of bills a bank might circulate at one time should not exceed three times the amount of specie, exclusive of deposits, in its vaults and actually belonging to the bank. In case of excess the directors were liable individually, and after them the stockholders (in proportion to the amount of their stock), for the amount of the excess. It also provided that the banks must pay their notes in gold, silver, or current notes of other banks. If they failed to do so for thirty days in one year they were to be closed up. The Act provided for three Bank Commissioners to be appointed by the Legislature, whose duty it was to visit the banks, examine their books, and make regular reports. They were given ample power to carry out the law.

First Annual Report of Bank Commissioners. — The first annual report of these commissioners was made December 16, 1839.³⁷ In this report they say that one cause that increased the *drain of specie* from Ohio banks and drove them to rapid curtailment of their circulation was the hostile attitude they had assumed toward each other, which course operated to strengthen the *distrust* of them as it left the impression on the public mind that they placed no confidence in each other.³⁸ They condemn the policy pursued by the banks of issuing *post-notes*, payable at a future day, often six or twelve months, and not bearing interest, though paid out at par for the bank's own debts to depositors and needy borrowers.³⁹ They also call attention to the evil of *foreign bank notes*,⁴⁰ and condemn the practice of creating bank capital by the stockholders giving what was called a *stock note*; also, closely allied to the latter, the *large loans and discounts made to directors and other stockholders* "almost unlimited in amount and time of payment."⁴¹

³⁵ Ibid.

³⁶ Rev. Stat. 1841, p. 126.

³⁷ Ohio Exec. Doc. 1839, No. 22.

³⁸ Ibid., p. 9.

³⁹ Ibid., p. 13.

⁴⁰ Ibid., p. 15.

⁴¹ Ibid., p. 20.

The following table taken from the report of the bank commissioners in 1842 shows the extent of this loaning to stockholders:

INDEBTEDNESS OF THE DIRECTORS AND OFFICERS OF EACH BANK,
AT THE TIME OF EXAMINATION, AS PRINCIPALS, AND
LIABILITY AS SECURITY, AND THE AMOUNT OF
STOCK HELD BY THEM.⁴²

Names of Banks.	Indebtedness as principals.	Liabilities as security.	Amount of stock owned by directors and officers.
Commercial Bank of Cincinnati.....	\$89,183	\$45,821	\$46,900
Franklin Bank of Cincinnati.....	43,012	49,062	25,800
Lafayette Bank of Cincinnati.....	79,986	22,003	18,600
Ohio Life Insurance & Trust Co.....	61,185	5,194	.....
Dayton Bank	5,198	13,326	30,550
Bank of Xenia.....	25,632	44,736	42,283
Bank of Circleville.....	40,778	49,233	38,200
Bank of Muskingum.....	30,112	6,693	82,400
Bank of Zanesville.....	5,161	3,635	59,206
Bank of Marietta.....	43,688	36,142	52,800
Bank of Mt. Pleasant.....	.....	2,030	9,563
Bank of Wooster.....	109,350	161,804	182,054
Bank of Massillon.....	39,530	50,886	22,400
Bank of Geauga.....	14,766	13,387	20,195
Bank of Norwalk.....	11,070	11,782	22,175
Bank of Sandusky.....	44,500	56,999	24,350
Clinton Bank of Columbus.....	87,126	125,724	120,200
Franklin Bank of Columbus.....	9,420	40,488	161,600
Columbiana Bank of New Lisbon.....	10,413	23,897	31,525
Belmont Bank of St. Clairsville.....	.....	4,172	14,337
Commercial Bank of Scioto.....	16,839	20,245	23,849
Farmers' and Mechanics' Bank of Steubenville	30,827	34,483	17,350
Western Reserve Bank.....	17,566	29,253	73,792
	\$815,432	\$860,995	\$1,123,190

⁴² Annual Report of the Ohio Bank Commissioners, Dec. 17, 1842, p. 40. In addition to the list given here, two of the directors, as members of a firm, owe, as principals, \$9,500. In the item of liability as indorsers, in the greater amount of cases, two persons are liable for the same indorsement, which, in the aggregate, counts the sum twice.

⁴³ Of these liabilities as securities, \$30,266.66 of the amount appears duplicated, by there being two or more names of directors upon the same obligation.

"Too large loans to a few individuals," said the commissioners, "often renders precarious the solvency of the banks, and this is particularly the case where the directors and officers monopolize in a great measure their available resources—and the *spirit of speculation*, fostered and encouraged by heavy accommodations from them has done more within the last few years to place the whole business of the country in the hands of a few, and to overthrow all the sound principles of trade, convulse the community, and prostrate the laboring classes than all other causes combined."⁴⁵ They found it a "general source of complaint" that a "very limited number of persons are permitted to obtain a great proportion of the discounts from our banks."⁴⁶ They thought that as many banks were created in the state by persons who wished to borrow instead of lend money, thus bringing about large issues of notes without any liability for their redemption, the law of February 25, 1839 should be amended. They believed that no bank of issue was safe unless there existed a direct and unqualified liability to the public creditor on the part of every stockholder and a special liability of the directors and officers to the stockholders not concerned in its management.⁴⁷ "The great cardinal principle of individual liability," they said, "is the only true foundation of safety."

This report shows how far from perfect was the banking system in the state at that time and also forshadowed later action of the legislature regarding reforms. The passage of the law requiring examinations and supervisory control of the banks elicited some degree of hostility and in particular instances, manifestations of determined opposition to the performance of its requirements. The refusal, however, of the Supreme Court to grant an injunction against an examination of the Lafayette Bank of Cincinnati by the Bank Commissioners, probably conduced to a general acquiescence in the constitutional requirements of the law.⁴⁸

⁴⁵ Ohio Exec. Doc. 1839, No. 22, p. 21.

⁴⁶ Ohio Exec. Doc. 1839, No. 22, p. 22.

⁴⁷ Ibid., p. 24.

⁴⁸ Ohio Exec. Doc. 1839, No. 22, p. 5.

Re-Enactment of Law forbidding Small Notes. — The law, however, was insufficient to remove all the evils existing in the banking system in Ohio. It was amended at various times, notably the act of March 23, 1840 forbidding passing of notes less than \$5 or of post notes, or of notes not payable in specie,⁴⁹ and requiring banks to make out statements once a month or oftener including such information as the commissioners should require.⁵⁰ But it was becoming evident to all concerned that some more radical reform was required.

Messages of Governor Shannon. — The Governor's Message of December 1839, after considering the project of a State Bank and that of Free Banking came to the conclusion that a system of Independent Banks, properly restricted, under the supervision of Commissioners, and at all times under the control of the legislature, if not the best system theoretically, would yet be the best then within reach.⁵¹ Again in his Message of December 8, 1840, Governor Shannon remarked: "The evils which have been inflicted on the community through the instrumentality of banks of circulation have become so great and alarming that the question will soon be between reformation and destruction."⁵² "If the effort to reform our banks should prove unsuccessful *the remedy will be found in the substitution of banks of discounts and deposits for those of circulation.*"⁵³ He argued that the limited liability of the stockholders not only furnished an opportunity to commit fraud with impunity, but held out an inducement to excessive banking,⁵⁴ and added: "Bankers should be placed on the same footing with other individuals; made responsible for their debts like other citizens; and, being so responsible, they would conduct their business with more prudence and regularity, and consequently with more safety to the public."⁵⁵ But he opposed a State Bank and in his Inaugural

⁴⁹ Laws of Ohio Vol. XXXVIII, p. 113.

See also Niles, 58:115, Apr. 25, 1840.

⁵⁰ Rev. Stat. of 1841, p. 132.

⁵¹ Niles, 57:279, Dec. 28, 1839.

⁵² Ohio Exec. Doc. 1840, No. 1, p. 8.

⁵³ Ibid., p. 9.

⁵⁴ Ibid., p. 20.

⁵⁵ Ibid., p. 21.

Address of December 14, 1842 declared against a State Bank in any form, favoring a system of local banks with increased personal liability and more safeguards.

Message of Governor Corwin. — Gov. Thos. Corwin in his inaugural address⁵⁶ December 16, 1840 declared it the duty of the Legislature at once to establish some permanent system of banking. He analyzed the objections to banks as instruments for currency as follows:

1. The use of their credit to extend their circulation leading to suspension and depreciation.

2. Expanding and contracting their circulation causing fluctuation in the prices of labor and property.

Explaining these away, on the whole, he suggested two plans that had been proposed:

1. A State Bank with branches (State to own not over 1/5 of the stock).

2. Re-charter of the safest of the then existing banks.

As safeguards he suggested: limited dividends to stockholders, the state to get the rest; and limited circulation as compared to capital.

Question whether to adopt State Bank or Safety Fund System. — The Ohio State Journal in Jan. 1841 said: "The absorbing question here among those desirous to place the moneyed institutions of the State in a safe and useful condition is whether a State Bank similar to Indiana's or whether the present banks (or those of them entitled to public confidence) shall be united in a kind of New York safety fund system with such modifications, however, as shall secure a larger amount of specie in the vaults of the banks in proportion to the amount of paper circulation than is exhibited in the report of the New York banks. The probability is that the committee to whom this subject is referred will report a bill on the latter plan; chiefly because the finances of the State are thought to be unfavorable to the former. The great difficulty appears to be in determining a rule by which the real available means of the present banks may be ascertained, in order to fix the amount of circulation to which

⁵⁶ Ohio Exec. Doc. 1840, p. 8.

each may be entitled, when presenting claims to the board of control for admission into the family of solvent banks."⁵⁷

Currency Fluctuations in Ohio.—That such difficulty may well have existed can be seen from the following table showing the amount of currency circulating in Ohio in 1839 and 40:⁵⁸

	<i>Currency.</i>	<i>Premium on Specie.</i>
June 1, 1839.....	\$9,168,903	
Sept. 30, 1839.....	8,107,692 decrease=	\$1,059,300
Jan. 1, 1840.....	6,624,987 decrease=	1,482,515 6½ and 7
April 1, 1840.....	5,956,398 decrease=	688,597 7½ and 8
May 1, 1840.....	6,391,205 increase=	431,808 6 and 6½
July 1, 1840.....	6,362,770 decrease=	28,436 4 and 4½
October 1, 1840.....	6,686,756 increase=	318,986 3½ and 4

Yet, notwithstanding the steady reduction in currency and bank accommodations evinced in this table, the amount of business done in the State was large, and during the last few months, of 1840, constantly increasing.⁵⁹

Exports from Ohio in 1840.—The following table of Ohio statistics for products exported from the State in 1840 will indicate something of the volume of business done in the State during that year alone:

Bread stuffs, mostly wheat and flour; estimated value.....	\$7,098,810
Other agricultural products, including distilled spirits.....	1,874,402
Products of domestic animals, chiefly pork, lard, butter, cheese, and wool.....	2,315,069
Domestic animals driven from the state on foot.....	2,600,000
Products of mines and forests.....	782,700
Manufactured articles	5,000,000

Total value of products of Ohio exported in 1840⁶⁰....\$19,670,981

Effect of Internal Improvements.—Moreover for fifteen years Ohio had been engaged in Internal Improvements with an

⁵⁷ Niles, 59:342. Jan. 30, 1841.

The bill referred to was reported soon after, (p. 342).

⁵⁸ Niles, 59:219, Dec. 5, 1840.

⁶⁰ Ibid.

⁶⁰ Annual Report Commissioners of Canal Fund, Jan. 21, 1842, p. 18.

average expenditure of nearly \$1,000,000 a year, the effects of which are thus described in the Annual Report of the Commissioners of the Canal Fund:⁶¹ "They have opened new channels of intercommunication between different portions of our State, developing the value and bringing into use the treasures of extensive coal formations—furnishing new avenues of foreign trade, with every facility for the various transactions of business, in almost every quarter of the State. By these means of communication, our citizens have been enabled to throw their produce into the northern, eastern, and southern markets, at an expense so greatly diminished as to increase its value at home twenty-five to fifty per cent."⁶²

Canal Receipts and Shipments at Cleveland.—The rapid and usually successive increase of production in the state may be inferred from the following receipts at Cleveland via the Ohio Canal:⁶³

1838.....	287,465 bbl. flour; 1,229,012 bu. wheat; 73,292 bu. coal
1839.....	264,887 bbl. flour; 1,515,820 bu. wheat; 134,881 bu. coal
1840.....	505,461 bbl. flour; 2,155,820 bu. wheat; 172,206 bu. coal

The increase of imports also is indicated by the following *shipments* from Cleveland via the Canal:⁶⁴

1837.....	62,977 bbl. salt and 10,757,386 lbs. merchandise
1838.....	63,165 bbl. salt and 18,875,286 lbs. merchandise
1839.....	109,916 bbl. salt and 19,125,852 lbs. merchandise
1840.....	77,254 bbl. salt and 10,783,514 lbs. merchandise
1841.....	59,773 bbl. salt and 15,164,747 lbs. merchandise

Low Prices and Hard Times.—The falling off in these imports in 1840-41 is probably due partly to increased home production,⁶⁵ but largely to the depressed prices of home prod-

⁶¹ Report of Dec. 30, 1843, p. 13.

⁶² In 1842 Ohio produced 1,237,712 tons of hay; 5,264,766 lbs. of tobacco; 7,277,399 bu. of potatoes; 19,381,035 bu. of oats; 25,387,439 bu. of wheat; 39,424,221 bu. of corn.—Report of Canal Fund Commissioners, Dec. 30, 1843, p. 11.

⁶³ Sixth Report Board of Public Works, Jan. 2, 1843, p. 41.

⁶⁴ *Ibid.*, p. 42.

⁶⁵ Ohio produced in 1840—297,350 bu. salt, value \$89,205; 1850—550,350 bu. salt, value \$132,293; 1860—2,000,000 bu. salt, value \$500,000.—Report of Commissioner of Statistics 1859.

ucts. For example, the price of wheat at Cincinnati, which had risen from 62c a bushel in 1834 to \$1.25 in 1836, dropped to 65c in 1839 and 60c in 1840; flour dropped from \$8.25 a barrel in 1836 to \$3.60 in 1840; and hogs from \$7 a cwt. in 1836 to \$4.75 in 1840, \$2.25 in 1841, and \$1.75 in 1841.⁶⁶

The Second Annual Report of the Bank Commissioners of Ohio, December 20, 1840, says: "The past two seasons have been distinguished by unusual agricultural productiveness in our own State, which, under circumstances of less production in other agricultural states of the Union, would have tended to a rapid discharge of the obligations of our citizens to the eastern cities. In consequence of an equal production in other states, as well as abundant crops in other parts of the world, the prices of the staple articles of subsistence have declined."⁶⁷

So it cannot be shown that the low prices and hard times of 1841 and 1842 are entirely due to banking, but the fact that in the face of the larger production and increased business in the state the specie in the banks was reduced from \$3,153,334 in 1837 to \$1,052,767 in 1841 and their circulation from \$9,247,296 to \$3,584,341⁶⁸ during the same time, has much significance if there is anything in the quantity theory of money at all. And the following quotation from Niles' Weekly Register of December 31, 1842 seems to justify the inference:⁶⁹ "*Hard Times in Ohio.* The circulation of the sound banks is reduced to a very trifling amount, and as the currency is almost exclusively of hard money, the value of property of every description is correspondingly depressed. The distress which is thus brought upon debtors may be understood from the facts."⁷⁰

Agitation for New Banking System in Ohio. — There was evident need of a remedy soon. The charters of nearly all the banks in Ohio would expire in 1843, and the interests and business of the people demanded that the capital of those banks should be retained in that business in some form. "A large por-

⁶⁶ Third Annual Report of Ohio Commissioner Statistics 1859, p. 96. See also Cincinnati Daily Enquirer, Feb. 23, 1846. Also Appendix, p. 519.

⁶⁷ Ohio Exec. Doc., 1840, No. 21, p. 5.

⁶⁸ Report Comptroller Currency, 1876, p. CXVI.

⁶⁹ Niles, 63:280.

tion of this capital," says Governor Corwin in his message of December 7, 1841, "is held by owners in other states. Should the capital of those banks be withdrawn from its accustomed uses, the portion of it owned abroad be taken home, and no means of similar investment provided, results must follow more disastrous to the State than any, even in the worst times, which it has hitherto encountered."⁷¹

In the Ohio Senate in April 1841 the Bank Committee presented a bill to re-incorporate the banks of the state on the so-called safety-fund principle; but there was also a minority report,⁷² and a week later the legislature adjourned after postponing all the bank projects.⁷³ The Springfield Ohio Republican in October 1841 gave the aggregate banking capital of Ohio as \$16,000,000,⁷⁴ and added that nearly the whole amount of banking capital required for the trade of the community was about to be withdrawn by the expiration of charters January 1, 1843.⁷⁵ The Ohio State Journal commenting on the same thing said: "*A fearful time ahead!* It must unavoidably derange the business of Ohio to such a degree that its blighting effects will be felt for fifteen years to come."⁷⁶ Governor Corwin in his message of December 6, 1842⁷⁷ discusses the expiration of the bank charters January 1, 1843; says the withdrawal of the \$5,000,000 bank capital, much of which was owned in other states, would increase the existing embarrassments, retard the payment of debts, sink still lower the market value of property, and hurt debtors without helping the creditor class; and he recommends to the legislature a permanent system of safe currency "composed of coin, and Bank paper convertible into at the pleasure of the holder."

⁷¹ Ohio Exec. Doc., 1841-2, No. 1, p. 13.

⁷² Niles, 60:71, Apr. 3, 1841.

⁷³ Ibid., p. 90, Apr. 10, 1841.

⁷⁴ The capital of the incorporated banks of Ohio in 1841 was said to be \$8,103,243. — See Appendix, p. 511.

⁷⁵ Niles, 61:119, Oct. 23, 1841.

⁷⁶ Niles, 6:119, Oct. 23, 1841.

⁷⁷ Ohio Exec. Doc., 1842, No. 1, pp. 7 and 8.

Third Annual Report of Bank Commissioners.—In their third annual report, December 17, 1842,⁷⁸ the bank commissioners stated that there were then in Ohio twenty-three banks which redeemed their notes in specie when demanded; that the charters of thirteen of them would expire January 1, 1843, those of two others would end January 1, 1844, four in 1850, two in 1854, and two in 1855; that if any were to be renewed the time was favorable to throw around them such restrictions and safeguards as would best guard against bankruptcy, fraud, etc.⁷⁹ They added: "Whatever may be the future policy of the State in regard to supplying the places of the expiring and broken banks, it would seem to be pretty clearly settled that *public opinion is adverse to the present unrestricted system of banking.*" Some of the old banks were twenty-five years old and had several times suspended, and there were large amounts of old debts, particularly among officers, directors, and stockholders, that were in need of being closed up. In view of these things the commissioners thought that "both the interests of the public and the future solvency of the banks would be better secured by the incorporation of new banks than by the renewal of the old." They said that "the great and fundamental error in the banking system may be traced to the want of individual liability of the directors and stockholders, to pay the debts they contract, and redeem the paper they put in circulation.—The same man, in his corporate capacity, might be poor, but, as an individual he might be rich; and his wealth, in a great measure, drawn from the profits or spoils of the corporation of which he was a member."⁸¹ The former charters of the banks had been granted for a specific period,⁸² and were too vague and indefinite in relation to the capital stock, the commissioners thought; there was too much uncertainty, they said; consequently they thought a radical change in the system was necessary.⁸³

⁷⁸ Ibid., No. 15.

⁷⁹ Ibid., p. 6.

⁸⁰ Ibid., p. 7.

⁸¹ Ohio Exec. Doc., 1842, No. 15, p. 13.

⁸² Ibid., p. 7.

⁸³ Ibid., pp. 8 and 10.

Taxes paid by Ohio Banks, 1831-43. — One of the changes the commissioners recommended was in regard to taxation. The banks, they said, had not paid their share of the taxes in proportion to the capital invested. "The rate of assessment for State, canal, and school purposes is five mills on the dollar," they said, while the banks pay less than half the tax on other property.⁸⁴

The following table shows the amount of tax paid by all the Ohio banks on dividends reported from June, 1831 to November 15, 1843, as compared with the amount of banking capital.

	⁸⁵ <i>Tax paid on dividends.</i>	⁸⁶ <i>Capital.</i>	⁸⁷ <i>Rate in mills.</i>
1831	\$3,621.857	.....	.....
1832	7,066.045	.....	.....
1833	12,998.429	.....	.....
1834	14,737.30	.....	.....
1835	25,836.405	\$5,819,692	4.44
1836	71,317.74	8,369,744	8.52
1837	57,698.01	9,217,296	6.25
1838	50,989.74	11,331,618	4.5
1839	59,143.40	10,153,846	5.82
1840	30,784.71	10,507,521	2.92
1841 <i>f</i>	31,640.29	8,103,243	3.7
1842	14,074.46	7,034,083	2.0
1843	19,234.33	6,805,352	2.82
Total	\$398,142.716		

This shows the rate of tax paid by the banks to have been lower in 1840 and 1841 than in the preceding years, if we base our estimates on capitalization. But if we consider that the first column represents the total tax paid by *all* the banks, while the second includes the capital of only the banks reporting, we may assume that the actual rate on capitalization paid by the banks was much lower than the table indicates. For example in the year 1841 the Springfield (O.) Republican estimated the total

⁸⁴ Ibid., p. 9.

⁸⁵ Special Report of Ohio State Auditor, Jan. 20, 1844.

⁸⁶ See Appendix, p. 511.

⁸⁷ Figured from the first two columns.

banking capital in the state at \$16,000,000,⁸⁸ whereas the table gives only \$8,000,000. If we figure the rate of tax paid by the banks that year on the former figure the rate appears as only 1.85 mills on the dollar.

Difficulty in collecting Taxes from the Banks.— But whatever the rate may have been on the actual capitalization, it is certain that under the law of March 12, 1831 the State found a good deal of difficulty in getting the banks to report their dividends. The state auditor's report of March 4, 1839 gives certain resolutions passed by the legislature, one of which is the following:⁸⁹ "Resolved further, that the Auditor be and he is hereby required to cause to be prosecuted all such banks, insurance, and bridge companies as have not complied with the provisions and requisitions of an Act entitled 'An Act to tax banks, insurance, and bridge companies,' passed March 12, 1831, either by totally neglecting or refusing to make a return of their dividends, or which have made incorrect returns of such dividends, after giving them due notice of the demand claimed by the State, and their refusal to pay the same."

Moreover the state bank commissioners, in their report of December 16, 1839, speaking of dividends and other profits, say: "The investigations thus far have disclosed nearly \$20,000 due from the banks, having been withheld due to misconstruction of the law or noncompliance in reporting dividends to the Auditor. This neglect or refusal to make reports according to existing laws may render necessary a change in the tax law for banks, and it is submitted whether it would not be advisable to tax the capital stock hereafter or the amount of money loaned, in the same manner as individuals are taxed."⁹⁰ That conditions did not improve much in this respect is evidenced by the report of the commissioners three years later in which they recommended a radical change in the whole banking system.

Bank Failures in 1841-2.— During the years 1841 and 1842 many Ohio banks failed. The bank commissioners attributed this largely to the fact that their capital was so invested as not

⁸⁸ Niles, 61:119.

⁸⁹ Ohio Exec. Doc., 1838-9, No. 79.

⁹⁰ Ibid., 1839, No. 22, p. 8.

to be readily available in case of emergency. "In every instance," they said in their annual report of December 17, 1843, "not only the capital, but also the active means, including much of their deposits, were found to have been diverted from their legitimate uses, and to have become sunk in a suspended debt—such as judgments, mortgages, and real estate." "Injudicious loans and discounts, at that time were not confined to any one bank; but the same recklessness of accommodation, to a greater or less extent, had extended itself to all." The effects of those events, the commissioners observed, "will be lasting, as they have shaken the public confidence in the soundness and stability of our whole banking system."⁹¹

Various attempts were made by the legislature to compel resumption.⁹² In March 1842 the Cincinnati Gazette was complaining that the resumption law of Ohio had not yet put any coin in circulation; but that Ohio bank notes had disappeared and that the currency then consisted of Indiana notes, while distress was about universal.⁹³ The reduction in the note circulation which had been going on in the state for several years, had failed to give Ohio a specie currency. The vacuum created was in part filled with the best notes of other states. The change merely substituted the paper of the banks of other states for that of her own banks.⁹⁴ There arose once more a "clamor for more banks, more bank facilities, a new and more enlarged banking system."⁹⁵ This was not a new cry by any means. At the sessions of 1835-6, 1836-7, 1838-9, and 1840-41, petitions for more banks had been crowded on the legislature in large numbers.⁹⁶

⁹¹ Ohio Exec. Doc., 1843, No. 38, p. 8.

⁹² Niles, 60:71—61:352—61:400.

February 18, 1842 an Act was passed to enforce specie resumption which provided for receivers for failed banks.—Knox, p. 673.

The latter was a fruitful subject of abuse among a large and respectable class of citizens.—Report of Bank Commissioners, Dec. 17, 1843, p. 7.

⁹³ Niles, 62:80, Apr. 2, 1842.

⁹⁴ Niles, 65:148, Nov. 4, 1843.

⁹⁵ Ohio Exec. Doc., 1844, No. 1.—Gov. Bartley's Message, p. 17.

⁹⁶ Ibid. Also, Old School Republican and Ohio State Gazette (Columbus), Dec. 5, 1844.

The Bank Question in Ohio involved in Party Politics.

—The subject of banking was more agitated in Ohio than in any other state in the Union at that time.⁹⁷ And certainly there was plenty of need for wise legislation. But the question “became involved, more than in any other state, with the fate and fortune of political parties. With but little regard to the requirements of the community, the conduct of existing institutions, or the true merits on which the question should have turned,—the whole was made to depend upon the success of one, and the defeat of the other political party in the State. The anti-bank party succeeded at the polls, and their representatives refused to recharter any of the existing institutions.”⁹⁸

The General Banking Law of 1842.—On Mar. 7, 1842 a general law to regulate banking was passed. It defined the powers of banks; required all capital to be paid in gold or silver before the bank could begin business; provided for paying dividends; the proportion of circulation to capital, and the rate of interest; a special tax of $\frac{1}{2}\%$ on capital, and such taxes on circulation as the legislature should impose; and the creation of a safety fund. Finally, the president, directors, and officers were made liable for any loss of capital and mismanagement.⁹⁹

Governor Thomas W. Bartley in his message of December 3, 1844, said of this act that it was “designed to supersede the necessity of special charters, fixing general law, the powers, liabilities, and terms for future banks, and imposing rigid restrictions on the abuses heretofore practiced in banking. This law was alleged to be too severe and on February 21, 1843 it was amended,¹⁰⁰ and a number of the prominent citizens, belonging to companies which had petitioned the Legislature for a renewal of their charters, were authorized to organize and commence the business of banking. They declined, however, to engage in business on the conditions imposed, on account of the unsettled state of public sentiment on this subject, and with a view of obtaining banking privileges at a subsequent period, upon terms more in

⁹⁷ Niles, 65:243, Dec. 16, 1843.

⁹⁸ Editorial in Niles, 67:368.

⁹⁹ Laws of Ohio, Vol. XL, p. 39. Also Knox, p. 673.

¹⁰⁰ Laws of Ohio, Vol. XLI, p. 36. Also Knox, p. 677.

accordance with their own views."¹⁰¹ It is generally considered, however, that the reason why no one cared to organize a bank under the new law was the clause providing for the individual liability of stock holders. Niles says in his issue of February 8, 1845,—“No man would trust himself or his property in such a scheme, and not a cent of the stock was subscribed.”¹⁰² Likewise in the issue of December 16, 1843, he says of the law of 1842 providing for new banks with individual liability of stockholders: “This project of course failed. Badly as good banks were supposed to be wanting there were no monied men to be found so foolish as to risk their all in a scheme of that kind. The law remained a dead letter, and the State has to depend upon neighboring States for the most of its circulating medium.”¹⁰³

The law of February 21, 1843 was passed by a strict party vote. The vote on the bill stood:

In the House.....	Yeas 36	Nays 31
In the Senate.....	Yeas 19	Nays 12
<hr/>		
Total vote	Yeas 55	Nays 43

Three Whigs and two Van Buren Democrats were absent and two Democrats voted with the Whigs.¹⁰⁴ Of the others the Democrats voted for the law and the Whigs against it.¹⁰⁵

Statistics of Ohio Banks in 1842.—Near the close of 1842 there were twenty-three specie paying banks remaining in the state. The following table shows their condition.

¹⁰¹ Ohio Exec. Doc., 1844, No. 1. p. 12.

Examples of old banks authorized to organize but which declined to do so were the Bank of Dayton and the Bank of Chillicothe; while one of the new ones authorized, which also did not organize, was the Valley Bank of Ohio at Eaton.—Local Laws of Ohio, Vol. XLI, pp. 150, 177, 222.

¹⁰² Niles, 67:368.

¹⁰³ Niles, 65:243.

The banks, however, gave other reasons for objecting to the general banking law, e. g., the tax on both dividends and capital, as well as various other burdens and restrictions.—See Rept. of Bank Commissioners, Dec. 17, 1843.

¹⁰⁴ Niles, 64:4, Mar. 4, 1843.

¹⁰⁵ Niles, 63:310, Jan. 28, 1843.

RESOURCES				LIABILITIES:							
Name of Bank.	Loans and Dis- counts.	Due from Banks.	Notes of Other Banks.	Specie.	Other Re- sources.	Total.	Circulation.	Deposits.	Due to Banks.	Capital Stock.	Other Liabili- ties.
Commercial Bank of Cincinnati	\$929,123	\$51,259	\$55,803	\$85,378	\$586,353	\$1,659,915	\$79,783	\$180,163	\$25,965	\$1,000,000	\$374,005
Franklin Bank of Cin- cinnati	963,382	24,517	111,697	131,370	253,306	1,484,271	22,116	251,130	56,918	1,000,000	154,108
Lafayette Bank, Cin- cinnati	879,850	41,031	11,130	61,882	163,315	1,157,208	34,981	42,473	23,052	1,000,000	56,702
Ohio L. I. & T. Co.	532,622	54,320	17,321	77,961	533,642	1,215,866	261,575	260,318	15,597	622,255	107,122
Dayton Bank	48,734	293	18,139	12,856	28,170	108,202	17,644	1,277	184	88,110	998
Bank of Xenia	127,977	22,238	4,531	29,224	41,561	225,534	62,109	37,772	3,402	100,000	22,251
Bank of Circleville	318,964	37,018	24,674	40,169	34,283	455,048	182,282	32,833	10,157	200,000	39,746
Bank of Muskingum	111,496	509	2,442	2,508	59,341	176,596	7,989	14,720	.....	120,000	33,937
Bank of Zanesville	120,164	4,696	5,281	4,781	158,156	293,082	11,427	8,092	162	230,470	42,982
Bank of Marietta	185,178	6,656	3,958	16,125	39,016	250,933	48,544	8,671	1,822	180,808	11,026
Bank of Mt. Pleasant	53,575	1,067	5,756	7,263	4,613	72,275	8,923	15,051	.....	40,495	7,806
Bank of Wooster	399,235	12,877	11,474	58,022	94,515	576,122	267,947	28,267	26,363	229,329	24,217
Bank of Massillon	258,684	6,703	27,813	32,491	100,399	426,093	171,450	39,876	5,840	200,000	8,927
Bank of Geauga	139,125	2,412	5,667	9,881	34,799	191,883	17,035	18,826	67	155,028	917
Bank of Norwalk	187,601	5,949	17,883	45,682	22,883	290,401	24,376	48,903	1,015	155,417	40,290
Bank of Sandusky	196,929	17,406	21,832	44,218	48,106	328,491	106,339	30,316	6,731	100,000	25,082
Clinton Bank of Co- lumbus	453,610	18,969	19,328	81,858	91,477	665,301	262,543	33,233	12,643	300,000	56,883
Franklin Bank of Co- lumbus	142,930	3,801	14,087	55,659	427,502	643,479	86,372	56,074	6,522	412,290	82,231
Columbiana Bank	114,849	226	2,401	16,757	523	134,771	18,894	18,455	4,193	90,000	3,229
Commercial Bank of Scioto	311,293	23,080	21,569	21,952	21,896	429,289	114,998	20,445	3,362	275,196	15,287
Belmont Bank	81,909	5,821	8,421	12,210	9,229	120,581	9,379	11,591	357	91,324	7,930
F. & M. Bank, Steu- benville	177,015	34,512	21,134	63,812	16,297	312,710	15,490	57,758	659	224,650	14,154
Western Reserve Bank.	170,701	.....	7,512	32,258	40,637	251,138	20,089	11,721	624	198,063	17,042
Total	\$6,937,988	\$374,921	\$439,921	\$894,561	\$2,821,119	\$11,468,790	\$1,912,254	\$1,179,977	\$205,667	\$7,034,083	\$1,136,518

Expiration of Charters of Majority of Ohio Banks in 1843.

On January 1, 1843, the charters of thirteen of the Ohio banks expired,¹⁰⁷ and two more expired January 1, 1844, leaving only eight in the state. This closed the period of banking in Ohio with note issue based on general assets, and consequently one period of Ohio's banking history. During the period ending at this time the banks were organized by special acts of the legislature, which granted charters for specific periods of time. The system had proved unsatisfactory, not, however, because the note-issues were based upon general assets, but because of the practical defects of a lack of uniformity, a lack of any adequate provision for redemption, and the undue expansion of credit upon slender resources. These were errors commonly found in new countries. They were in large part due to the frontier conditions then prevailing in Ohio and most of the rest of the country. The economic development of the country was in an experimental stage, and the rules of sound banking had not yet been worked out even in the older countries of Europe, much less on the frontiers of the Ohio and the Great Lakes. A new country, as Ohio was at that time, poor in specie and in loanable capital, could scarcely be expected to avoid adopting monetary devices which under better conditions would not be tolerated. During most of the period distrust had been general, leading to inconvenience in business transactions. There being no security for note issue except general assets, when a bank failed its notes were usually worthless. The failures however, were not always due to mismanagement. Often borrowers could not pay, and many times the banks were not able to realize on their property. Many of the banks had been organized for purely speculative purposes, and over-issue was frequent though by no means uni-

¹⁰⁷ Referring to the thirteen banks whose charters expired January 1, 1843, the Cincinnati Gazette, remarked that they call up "the pleasing associations of honesty, sound currency, and general popularity"; that they redeemed all their notes ever issued; that all but one, the Commercial Bank of Scioto, promptly met their engagements, and most of them returned 100 cents on the dollar on their capital stock, and some much more. At least one of them, the Farmers' and Mechanics' Bank of Steubenville, did not suspend specie payment in 1838 and 1839.—Bankers' Mag., 4:296, October, 1849.

versal. The people of the state knew that something was wrong with their banking system, and note issue being the most prominent function of banks at that time, they concluded that the remedy lay in adopting a new system wherein the note issue should not depend on general assets alone, but should be secured by a safety fund or a deposit of bonds. This, however, brings us to the second period of Ohio's banking history, which will be treated of in the next part of this monograph.

**PART II. BANKING IN OHIO UNDER
GENERAL LAWS. 1843-1863.**

**NOTE ISSUE SECURED BY SAFETY FUND
OR BOND DEPOSIT.**

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CHAPTER VIII.

CONDITIONS PRIOR TO 1845.

Specie-paying Banks in Ohio in 1843 and 1844. — Of the twenty-three paying banks in Ohio with a total capital of \$7,034,083 in December 1842, the charters of thirteen expired January 1, 1843, leaving but ten authorized banks in the state. The capital of these ten banks in December 1843 was \$3,459,773, of which \$1,673,872 was owned by residents of the state and \$1,785,901 by non-residents. The charters of two more banks, the Bank of Geauga and the Commercial Bank of Cincinnati, expired January 1, 1844, further reducing the banking capital of the state by \$1,155,028.¹ Thus in January 1844, there were left in Ohio but eight authorized banks with a capital of \$2,304,745. The names of these banks and the dates their charters were to expire are shown in the following:

AUTHORIZED BANKS IN OHIO IN 1844.

<i>Name.²</i>	<i>Termination of Charter.</i>
Bank of Xenia.....	May 1, 1850
Bank of Sandusky.....	May 1, 1850
Bank of Wooster.....	June 1, 1850
Bank of Norwalk.....	June 1, 1850
Lafayette Bank of Cincinnati.....	Jan. 1, 1854
Clinton Bank of Columbus.....	Jan. 1, 1854
Bank of Circleville.....	Mar. 1, 1855
Bank of Massillon.....	June 1, 1855

During 1843 and 1844 these banks were in good condition. They were prompt in meeting their engagements, and there was

¹ Ohio Exec. Doc., 1843, No. 38.

² Charters of first five contained provisions making them subject to amendments by general restrictions. Charters of remainder contained no provisions making them subject to legislation by amendment except as to taxation or prohibition of issue of bills under \$5. — Special Report Bank Commissioners, Dec. 24, 1842.

but little speculation in real estate and new enterprises. Most of the bank loans were on bills payable in eastern cities and founded on some actual transaction. Scarcely a bill was returned dishonored. In some instances accommodation paper was discounted and renewals made where the parties were unquestionably good, but probably nine-tenths of the loans and transactions were confined to business paper and the purchase of bills on the actual shipment of produce, or the driving of stock to a northern or eastern market.³

Economic conditions in the State.—At this time Ohio was the first agricultural State in the Union. The completion of the Erie and the Ohio canals had given interior and northern Ohio access to markets and made possible diversification of agriculture and industry. In 1842 the state produced 1.2 million tons of hay, 5.3 million pounds of tobacco, 7.3 million bushels of potatoes, 19.4 million bushels of oats, and 39.4 million bushels of corn, besides various other large crops. One great source of wealth in the state was the production of wheat. Of the 102.3 million bushels of wheat produced in the United States that year, Ohio produced about 25%, or 25.4 million bushels. Her nearest rivals New York and Pennsylvania together produced only 22 million bushels, while the next two, Indiana and Virginia, together yielded only 16 million bushels.⁴

The raising of live stock was also an industry of great importance in Ohio during this period. Before the opening of the canals the remoteness from markets had made the price of grain so low that the most profitable use to be made of it was to feed it to cattle, horses, and hogs, which could then be driven on foot to distant markets. This industry was still an extensive one. One of its centers was Ross County in the Scioto Valley, where the stock business of the West had its origin.⁵ Chillicothe was the county seat of Ross County. Madison County also was es-

³ Annual Reports of Bank Commissioners, Dec. 17, 1843 and Dec. 16, 1844.

⁴ Ohio Exec. Doc., 1843, No. 25, pp. 10 and 11.

⁵ Howe's Historical Collections of Ohio, Vol. II, p. 511.

pecially a grazing county, where for years prior to 1856 large herds of cattle were raised and shipped to eastern markets.⁶

Cleveland's position on Lake Erie at the end of the Ohio Canal and at the meeting of important stage lines between the east and the west and the south had already made it the mart of the greatest grain growing state in the Union. Its business by canal and lake was already large and constantly increasing. In 1840 more than 2,000,000 bushels of wheat had arrived at Cleveland via the canal, and the year before over 19,000,000 pounds of merchandise had been shipped from that point via the canal.⁷ The number of arrivals by lake in 1845 was 2,136, of which 927 were steamers. The tonnage then owned at this port amounted to 13,493, and the total annual value of its imports and exports by the lake was over \$9,000,000.⁸

The great metropolis of the state, however, was then Cincinnati. It had long been the center of the pork packing industry of the United States and had become known as Porkopolis, a name it retained until after the Civil War when Chicago became the great packing center. Cincinnati was also a center of steam-boat building and received extensive imports of goods from the east and exported the surplus crops of the two Miami Valleys in Ohio and the Licking Valley in Kentucky. It was already an extensive manufacturing place and thousands of dollars worth of its manufactured goods were annually sent into the upper and lower Mississippi country.⁹

Exports and exchange operations. — At this time Ohio was the third state in the Union in population, having in 1840 over a million and a half of inhabitants. Although during the preceding decade Ohio's population had increased 62%, or nearly twice as fast as the country as a whole,¹⁰ yet her agriculture and other industries had developed still more rapidly, so that the

⁶ Ibid., p. 165.

⁷ Ohio Canals, p. 175.

⁸ Howe, Vol. I, pp. 498 and 504.

⁹ Howe, Vol. I, p. 758.

¹⁰ See page 353.

state had a large surplus to export. Her exports alone now amounted to over \$20,000,000 a year.¹¹

To take care of this large export business the eight authorized banks remaining in the state had near the close of 1844 a capital stock of \$2,321,192 and a circulation of \$2,260,403, coin equivalent.¹² The export transactions, however, were effected chiefly by bills of exchange, thus requiring a comparatively small amount of capital. The bills of exchange were sold to the banks for bank notes and the proceeds of the bills after payment constituted a fund to be applied to the redemption of the circulation, or an eastern fund to be drawn on to meet the interest of the state debt, or to supply the wants of merchants. The amount of this kind of paper negotiated through the state each year was very large. One northern bank in 1843 negotiated bills of exchange amounting to \$1,200,000 and a central bank \$1,000,000. Additional large amounts were negotiated by other banks and by individuals. In the city of Cleveland alone the amount was \$6,000,000.¹³

Foreign and Unauthorized Bank Circulation. — That the circulation of the authorized banks was not sufficient to handle all this business is indicated by the large amount of foreign bank paper circulating in Ohio. In December 1844 this was reported by the bank commissioners at \$7,473,483, much of which was made up of issues of doubtful credit and suspicious origin.¹⁴ In one part of the state a company organized as a bank was engaged in the purchase of depreciated paper with the means of insolvent bank, and then forcing this paper back into the hands of laboring men for the purpose of another specula-

¹¹ Ohio Exec. Doc., 1843, No. 38.

¹² Annual Report Bank Commissioners, Dec. 16, 1844.

¹³ Annual Report Bank Commissioners, Dec. 17, 1843.

In Cincinnati the pork packing industry each winter threw into the market a large amount of these bills. After the season closed exchange on New York was likely to advance, for instance in February, 1844, it was 1% premium while a short time before it had been at a discount.—Cincinnati Morning Herald, Feb. 1, 1844.

¹⁴ Ohio Exec. Doc., 1844, No. 55.

tion.¹⁵ There also existed a class of institutions incorporated as insurance companies, saving institutes, etc., which assumed banking powers, not only of loan and deposit, but also of note issue. These experimented with various kinds of depreciated paper. The paper of one institution after another would be adopted, circulated, and repudiated. They would buy a controlling stock in some doubtful or insolvent bank in a distant or adjoining state and force its paper into circulation. This vitiated paper would be quoted at par by some hired press, and its credit and circulation be kept up as long as found profitable.¹⁶

Inadequate Banking Facilities and Low Prices.—The statistics of the authorized banks in Ohio in 1843 and 1844 show the lowest figures for more than a decade. Loans and discounts, which were over 13 million dollars in 1840, were less than 3 million in 1844; specie declined from 1750 thousand in 1840 to less than 750 thousand in 1844; capital, which was 10½ millions in 1840, was only 2 1/6 million in 1844; circulation, which was 4.6 million in 1840 and over 8 million in 1839, dropped below 2 million in 1843 and was only 2.2 million in 1844; while the deposits, which were still over 2 million in 1840, went down to half a million at the beginning of 1844 and were only 436 thousand at the end of that year.¹⁷

This decline appears greater yet if we compare the figures in 1843 and 1844 with those of 1836 and 1837, and it may be said that never since 1844 have the figures been so low. The prices of Ohio products were also very low in 1843 and 1844, though not generally so low as in 1842. Thus in Cincinnati in 1843 flour was \$3.62 a barrel as compared with \$2.62 in 1842,

¹⁵ Ohio Exec. Doc., 1843, No. 38.

The company referred to was reported as the Traders' and Mechanic's Bank of Cincinnati, and the Urbana Banking Co., was the insolvent bank.—Report Bank Commissioner to Senate, Feb. 27, 1844.

¹⁶ Ibid. The above report names as an example of this sort of thing the Mechanics' Saving Institution of Columbus, and recommends a law providing examination of savings institutions and insurance companies by public officers.

¹⁷ Report of the Comptroller of the Currency, 1876, p. CXVII.

while pork opened the season of 1843-4 at \$2.25 to \$2.65 a hundred as compared with \$1.62 to \$2.00 the previous season.¹⁸

It does not appear, however, that in these respects Ohio was much worse off than the rest of the country. The years 1843 and 1844 were a period of low prices throughout the United States with a slight revival of industry in the latter year.¹⁹ While for the entire United States the statistics of the state banks show in 1843 the lowest loans, deposits, and circulation for ten years, the capital being the lowest in 1842 and the specie continuing to decline until it reached the lowest point in 1846.²⁰

Private Capital in the State. — In Ohio, moreover, though the specie in the banks was very low during the years 1843 and 1844, there was considerable specie in private hands. In Stark county, for example, after the resumption of specie payments during six months probably \$150,000 in specie was paid out for wheat alone, perhaps one-half of which remained in the county, while at Milan during three weeks in the summer of 1843 some \$700,000 was paid out for wheat and flour, though purchasers of produce mostly drew on New York houses at sight or at 30 and 60 days. All this went into the pockets of the farmers of Richland and Knox countries, except a small fraction to a few farmers in Delaware, Marion, and Crawford counties. The bank commissioners estimated that thus much more than 10 million dollars was annually brought and paid out in the state; so that when there was added the amount in the hands of merchants and retired business men, the private capital aggregated from 15 to 30 million dollars. A large part of this they considered to be in coin.²¹

This estimate was probably too high, as the total amount of money in the United States in 1843 was reported as only 148.6 million dollars of which nearly 40% was estimated as bank

¹⁸ Cincinnati Daily Enquirer, Feb. 23, 1846.

Report of Ohio Commissioner of Statistics, 1859, p. 96.

See also Appendix, p. 519.

¹⁹ Industrial Depressions — Hull, p. 144.

²⁰ Report of the Comptroller of the Currency, 1876, pp. XCIV and XCV.

²¹ Reports of Bank Commissioners, Dec. 17, 1843 and Feb. 27, 1844.

notes.²² The Lafayette Bank of Cincinnati in reply to questions of the bank commissioners in 1844 stated that specie then formed but a small part of the circulating medium in Cincinnati; that at least four-fifths of the whole circulation of bank paper was furnished by institutions out of Ohio; while there was less specie in the state then than at any period for fifteen years.²³

Objections to the general banking law of 1843.— During the winter of 1842-3 there had been much complaint of the scarcity of money in Ohio,²⁴ and the state legislature had consumed much time in the discussion and examination of the banking question. The discussion centered largely upon the two principles of the security of the bill holders and the convertibility of paper at all times into gold and silver. In view of the excess of issues and loans over the capital stock paid in, and consequently, the great percentage arising to corporate as compared with private business, the legislature decided in favor of personal liability.²⁵ This had been the strong feature of the general banking law passed March 7, 1842,²⁶ and was retained when that law was amended February 21, 1843.²⁷

Although this act enabled the old banks whose charters had expired to reorganize under general law, none of them took advantage of the opportunity notwithstanding the great demand for currency. Their chief objections may be stated as follows: (1). The tax levied upon the dividends and also upon the capital stock. (2). The expense of registering the notes they would be authorized to issue, and the expense of supporting a board of bank commissioners. (3). The requirement that in case of complaint the commissioners should proceed to close a bank on the loss of one-fifth of its capital. (4). The penalty and prohibition against selling any of the gold or silver belonging to the bank. (5). The clause forbidding the holding or the purchase of any real estate, especially when the bank should be the judgment creditor and there was no other property to satisfy the debt.

²² Report of Comptroller of the Currency, 1908, p. 145.

²³ Ohio Exec. Doc., 1844, No. 55.

²⁴ Niles, 63:340, Jan. 28, 1843.

²⁵ Ohio Exec. Doc., 1843, No. 38.

²⁶ See p. 405.

- (6). Not being allowed to receive stock in payment of debts.
(7). The right retained by the legislature to amend or annul the law.²⁷

Agitation for a new Banking Law. — In the fall elections of 1843 the subject of "Banks or No Banks" was one of the main questions. The Whigs, who favored a bank currency, carried the legislature,²⁸ and during the following session a bill was introduced to establish the Bank of Ohio with a capital of \$10,000,000 to be distributed to branches by a board of five state commissioners.²⁹ Nothing was accomplished, however, during that session, and during the summer and fall the Ohio newspapers devoted much space to discussion of bank projects. The question seemed to be between free banking, based on a pledge of Ohio stocks, a safety fund similar to the New York plan, and the old plan of depending on a specie basis.³⁰

Difference of Opinion as to System needed. — The governor of the state Thomas W. Bartley, a Democrat, in his message of December 3, 1844, discussed the banking situation at length and strongly opposed the proposition for a state bank with capital to be invested in state stocks. "Of all the schemes for banking which have been devised," said he, "this is the most objectionable and the most dangerous in its tendencies to the independence and purity of the government and the liberties of the people.—It proposes a union of bank and state—the formation of an incestuous and unholy coalition between an organized, combined monied interest, and the civil power upon which the people depend for the safety of their liberties." The plan, he objected, would perpetuate the state debt, and render the state the slave of the monied interest.³¹

Governor Mordecai Bartley, a Whig, in his inaugural address the same day advocated a free banking system with notes

²⁷ Annual Report of Bank Commissioners, Dec. 17, 1843.

²⁸ Niles, 65:144, Oct. 28, 1843.

²⁹ *Ibid.*, 66:7, Mar. 2, 1844.

³⁰ Niles, 67:192, Nov. 23, 1844.

³¹ Ohio Exec. Doc., 1844, No. 1.

secured by a deposit of state stocks and providing for examinations and other safeguards.³²

In the fall elections of 1844 the bank party had carried the day in every department of the state government, and the subject occupied a large portion of the legislative session. A majority of the legislature favored establishing banks, but there was much difference of opinion as to what system. It was difficult to adjust any plan that could obtain a majority of the votes, especially as a formidable minority stood regularly opposed to any project.³³

Kelley's Bank Bill in the Legislature.—On Jan. 7, 1845, however, the chairman of the Currency Commission, Alfred Kelley, introduced into the senate a bill which incorporated features of several of the systems that were advocated. The committee in reporting the bill said:³⁴

"The committee entertains no doubt that a very large majority of the people of the State anxiously desire the enactment, by the present General Assembly, of some law authorizing the establishment of banks which will furnish them with a safe and convenient currency, afford reasonable facilities for obtaining money to meet the wants of commercial and manufacturing operations, and at the same time hold out proper inducements to those who have money to invest in banking institutions.—In framing this bill the committee have constantly in view the great landmarks of entire security to the bill holder, reasonable security to dealers with the banks, and proper inducements to the capitalist, whether great or small, to invest his disposable means in banking."

This bill aimed to include the advantages of a safety fund, a bond secured circulation, and a sort of state bank, and provided for a capital of \$6,000,000 in addition to that of the existing banks. The measure was discussed until the last day of

³² Old School Republican and Ohio State Gazette, Dec. 5, 1844.

Niles, 67:323, Jan. 25, 1845.

³³ Niles, 67:368, Feb. 8, 1845.

³⁴ Knox, p. 679.

Niles, 67:336, Jan. 25, 1845.

January, being before the senate seventeen different days. It met with determined opposition from the Democrats, but finally passed the senate by a vote of 21 to 15, a strictly partisan vote. On February 1, the bill was first read in the house where it met the same opposition.³⁵ After being before the house on nine separate days it was passed on February 12. On the amendments it was before the senate eight times and the house four times before it was finally passed in the house by a party vote of 40 to 30.³⁷ The bill was signed by the president of the senate and the speaker of the house on February 24, 1845, and was entitled "An Act to incorporate the State Bank of Ohio and other banking companies."³⁸ This act repealed the laws of March 7, 1842 and February 21, 1843, and became the general law which dominated Ohio's banking system for the next twenty years.

³⁵ Dayton Journal, Feb. 5, 1845.

Such phrases as the following were commonly used by opponents of the bill: "combination of disjointed shapes," "sub-potentates of the paper money dynasty," "bank rulers to domineer over and plunder us to their hearts' content," "the abominable shinplaster tyranny." — Cincinnati Daily Enquirer, Feb. 6, 1845.

³⁷ State Bank of Ohio — J. J. Janney in Magazine of Western Hist., Vol. II, p. 159.

³⁸ Laws of Ohio, Vol. 43, p. 24.

CHAPTER IX.

THE STATE BANK OF OHIO AND INDEPENDENT BANKS.

The General Banking Law of Feb. 24, 1845. — This law in addition to recognizing the old banks still existing provided for the organizing of two new classes: the State Bank of Ohio, and Independent Banks.¹

Five persons or more might form a banking company, but the aggregate capital stock of all such banks should not exceed \$6,150,000, in addition to the capital of any existing banks that might be authorized to continue subject to the provisions of the act.² That the privileges of the act might not be monopolized the state was divided into twelve districts and the number of banks in each limited.³

Persons organizing a bank were required to make a certificate specifying the name of the company, the amount of its stock, and the number of shares held by each member at the time of organization. A board of bank commissioners was provided to examine all applications for the establishment of banks,⁴

¹ Laws of Ohio, Vol. 43, pp. 24-54.

² The Bank of Geauga, Western Reserve Bank, Columbiana Bank of New Lisbon, Lafayette Bank of Cincinnati, and the Ohio Life Insurance and Trust Co., were specially authorized on certain conditions to reorganize with such an amount of stock as their directors might determine; the two latter, however, being restricted to not less than \$300,000 each nor more than \$1,000,000, and their circulation should not exceed \$650,000 each.

³ Hamilton county was allowed 4 banks, Cuyahoga 6, Franklin 3, Ross 2, Muskingum 2, Jefferson 2, Summit 3, Lucas 2, Miami 2, Montgomery 2, and no other county over one.

⁴ The act named John W. Allen, Joseph Olds, Daniel Kilgore, Alexander Grimes, and Gustavus Swan to serve for one year, after which the Auditor, Treasurer, and Secretary of State should constitute the commissioners.

By the act of Jan. 6, 1846, the duties of the bank commissioners were given to the board of control so far as they related to banks electing to become branches of the State Bank. — Laws of Ohio, Vol. 44, p. 8.

and the capital stock of each bank was limited to not over \$500,000, while it must be at least \$50,000 for each independent bank and \$100,000 for each branch of the State Bank. At least 30% of the capital stock was to be paid in gold or silver coin or its equivalent.

Provisions relating to the State Bank.—When seven branches should be formed they were to appoint members of a Board of Control to meet in Columbus. The act did not provide for a central bank. The banking business was to be carried on exclusively by the branches, and each branch was authorized to appoint one member of the board of control. This board was authorized to procure and furnish notes for the branches, to prescribe rules for the settlement of balances between branches, to visit and examine branches, to require any branch to reduce its circulation or other liabilities, to require from any branch sworn statements of its condition in such form and at such times as the board should see fit. The compensation of the board and the expense of printing the notes were to be paid by the branches, the latter in the ratio of the notes received by each branch.

All notes issued by any branch were to be made payable at the branch on demand in gold or silver coin, the lawful currency of the United States, or either, at the option of the branch. The amount of circulation permitted was fixed in proportion to the capital stock. A branch could issue on its capital up to one hundred thousand dollars, twice that amount of notes; on the second hundred thousand, one and one-half times the amount; on the third hundred thousand, one and a quarter times the amount; on the fourth hundred thousand, once the amount; and on any amount over four hundred thousand, not over three-fourths that amount. It could also issue notes equal in amount to its safety fund.

Each branch was required to pay over to the board of control ten per cent on the amount of notes it received for circulation as a Safety Fund. This safety fund was then to be invested in stock of the State or of the United States, or in first mortgage real estate bonds of twice the value of the amount secured, the branches to receive interest on the same. The stockholders collectively of any branch should not be liable as debtors or sureties

to such branch for an amount over one-third the capital stock paid in and remaining; nor the directors collectively for more than one-fourth the capital actually paid in and standing in their names.

When any branch should refuse to redeem its notes, it was to be considered insolvent and the board of control was to appoint a receiver. In case of insolvency each solvent branch was required to contribute in proportion to its circulation to a fund for redeeming the notes of the failing branch, to be repaid from a sale of stocks in the safety fund.

Provisions relating to Independent Banks. — The security of the notes issued by the independent banks rested on a different basis. Each independent bank must deposit with the state treasurer stock of the State or of the United States at least equal in amount to its capital stock. The treasurer was authorized to procure the necessary engraved plates and issue to each branch notes for circulation not exceeding the amount of stock it deposited, the expense of the same to be paid out of the state treasury. The treasurer was also to give new notes for mutilated ones and burn the latter. The banks were to receive the interest on the stock deposited except when such stocks should go below par for four consecutive weeks or the bank fail to redeem its notes. If any independent bank should fail to redeem its notes, the treasurer was to sell the stock deposited by such bank and from the proceeds pay in ratable proportion such of its circulating notes as should be presented at the treasury.

The stockholders collectively of any independent bank must not be liable to the bank to any amount over three-fifths of the capital paid in, nor the directors liable for more than an amount specified in the by-laws of the company. An examination of each independent bank was to be made at least once a year by a person in its vicinity, not a bank stockholder, who was to be appointed by the auditor, treasurer, and secretary of state.

General Provisions of the Law. — All banks organized under this law were made bodies corporate until May 1, 1866, and thereafter until their affairs should be closed up; but any branch of the state bank might close up its business sooner with the consent of the board of control. Notes could be issued in de-

nominations of one, two, three, five, ten, twenty, fifty, and one hundred dollars; but the percentage of those of ten dollars and under was limited. No other forms of paper could be circulated. Independent banks were required to redeem each other's notes without discrimination. Each bank was required to keep on hand at all times in gold or silver or its equivalent an amount equal to 30% of its outstanding notes.

Dividends must be paid from net profits only, and at fixed times; 6% of the amount was to be set off to the state in lieu of taxes; and the dividends of stockholders in debt to the bank were to be retained and applied to the debt. Six per cent interest only could be charged on loans, and the amount that might be loaned to any one person or firm was limited. The liabilities of each bank were also limited, and statements of condition must be made twice each year and filed with the auditor of state.

Meeting of Board of Bank Commissioners.—At first there was much questioning among the people of the state as to the prospect of capitalists making investments under the new banking law; but it quickly became evident that they regarded its provisions with favor, that banks would soon be organized, and that a new currency would be emitted in time to purchase the produce of that season.⁵ On March 18, 1845, pursuant to a notice from the governor, the board of bank commissioners named in the law met at Columbus to act upon applications from banks organized under the act, and take the initiatory steps to put them into operation.⁶ By June 19 application had been filed and proper examinations made for two branch banks in Cincinnati and one each in Xenia, Dayton, Chillicothe, Delaware, and Columbus.

Organization of the Board of Control.—This being the number required by the law to organize the state bank, they were each notified to elect a member of the board of control; and on July 15 the board met in Columbus, and organized the next day with members from nine branches. Gustavus Swan was elected president of the board and James T. Claypoole secretary.

⁵ Dayton Journal, Apr. 4, 1845.

⁶ Niles, 68:54, Mar. 29, 1845.

The salary of the president was fixed at \$1,000 and that of the secretary at \$800 a year. At this same meeting an executive committee of four members was appointed, and a committee of the same number to secure the engraving of plates for notes. Alfred Kelley, the author of the law, was a member of both these committees.⁷

Formation of New Banks. — In September it was reported that ten branches of the state bank were already in operation,⁸ and before the close of the year six more were added to the number. Meanwhile some of the old banks whose charters had expired were taking advantage of the part of the law which permitted them to become independent banks.⁹ The first independent bank in Ohio was the Commercial Bank of Cincinnati. It was organized April 15, 1845. Two more followed July 1 another in September, and one in October, making five independent banks in the state before the end of 1845.¹⁰ Thus in less than a year the number of banks in Ohio had increased from eight to twenty-nine.

Effect of Increase in Banking Facilities. — An idea of how this remarkable growth in banking facilities was regarded by the majority of the people in the state may be obtained from the governor's message to the legislature December 2, 1845. "This new Banking Law was deliberately enacted, after ample consideration, and a faithful examination of other systems which had been tested. Thus far the system has proved to be equal to the anticipations of its friends, and the necessities of the people

⁷ The two additional branches were the Merchants' Branch of Cleveland, and the Exchange Branch, Columbus. — State Bank of Ohio — January, p. 160.

Judge Swan resigned as president of the board of control November 21, 1854, and was succeeded by Dr. John Andrews, then president of the Jefferson branch, who served until November, 1866. The next president was Joseph Hutcheson of Columbus, who filled the office until May, 1870, when the board adjourned *sine die*, after electing J. Twing Brooks president. — Ibid., p. 174.

⁸ Dayton Journal, Sept. 15, 1845.

⁹ Niles, 68:176, May 17, 1845.

¹⁰ Ohio Exec. Doc., Part II, 1853, p. 326.

For the names of these banks see Appendix, pp. 521 and 522.

of the state." "And already the people of Ohio begin to feel the influence of this system in the restoration of confidence, the revival of business, the increase of the wages of labor, and the rising prosperity of the state."¹¹

Opposition to the new Law in 1845 and 1846.—Some, however, did not take so optimistic a view of the matter.¹² No sooner had the law been passed than the anti-bank party announced their determination to carry the question once more before the people of the state. Meetings were held in nearly every county and electioneering was done on the distinct issue of repeal of the new banking law. The advocates of the banks accepted the issue. The result of the election was again in favor of the advocates of the banks.¹³

In 1846 the fight was renewed. The Whig state convention was unanimous in its resolution favoring a "sound banking system," opposing the repeal of the existing law, and opposing an exclusively hard money currency. The Democratic convention, however, was divided between the "hards" and the "softs", that

¹¹ Cincinnati Daily Enquirer, Dec. 4, 1845.

Ohio Exec. Doc., 1845, No. 1, p. 5.

¹² A writer in a Dayton paper discussing the Dayton Bank, an independent bank, asks: "How has the circulating medium here been benefited by the transmission of nearly the whole circulation of this bank to neighboring counties and states?"—Cincinnati Daily Enquirer, Nov. 8, 1845.

¹³ Niles, 68:326, July 26, 1845. Also 69:143, Nov. 1, 1845.

As an example of the campaign appeals the following quotations are taken from resolutions unanimously adopted by the Democratic county convention in Hamilton County August 30, 1845:

"Resolved that the corporate privilege of concentrated means, limited liability, and protracted succession beyond the casualties and conditions of individual action ought not to be conferred on money."

"Resolved that metallic currency has been tested by the experience of ages. On the contrary all systems of paper currency ever yet contrived have failed, and in their inevitable overthrow have entailed more distress and loss, and perpetrated more robbery and fraud than would colonize a continent with convicts and paupers. Nor have we seen in the Whig legislature of last year any symptoms of a wisdom superior to the paper-mongers who have gone before them—but a compound rather of all the shallow schemes of their predecessors."—Reports on Finance, 1845, p. 553.

is, between the hard-money, anti-bank men and those who favored granting bank charters; the former faction won, but there was considerable disaffection.¹⁴ When the election was over it was found that the Whigs had once more won, Governor Bebb receiving a larger plurality than his predecessor two years before.¹⁵

The safety and utility of the new system having been tested for two years, and the people having twice at the ballot box pronounced in its favor, the governor seemed justified in remarking in his message: "No longer can public sentiment on the subject be misunderstood." He was backed by public opinion when he added: "The new banking system * * * has thus far been successful in accomplishing these beneficial purposes of its creation.

"The currency of the State has been restored and is now in a more safe and sound condition than at any former period. Want of confidence and alarm are no longer felt among those who are engaged in commercial affairs in this State."¹⁶

Increase of Bank Circulation and Prices.—In February 1846, there were in Ohio 31 banks: 8 old banks, 7 independent banks, and 16 branches of the state bank. The total capital was \$3,848,918 while the circulation was \$4,505,891.¹⁷ At the beginning of the previous year there had been but eight banks in the state with a capital of \$2,321,192 and a circulation of \$2,260,403.¹⁸

It is interesting in connection with this increase of circulation to compare some prices of Ohio products at Cincinnati for December, 1844, and December, 1845. The price of wheat had increased from 70 to 90 cents a bushel; flour from \$3.70 to \$5.00

¹⁴ Niles, 70:20, Mar. 14, 1846.

¹⁵ Ohio Statistics, 1904, p. 485.

Wm. Bebb was formally attorney for the old Bank of Hamilton. Its former president, John Woods, was elected State Auditor.—Ohio Press, Sept. 12, 1846.

¹⁶ Message of Governor M. Bartley, Dec. 8, 1846.

Bankers' Magazine, 1:434.

Ohio Press, Dec. 8, 1846.

¹⁷ Auditor's Report, Feb. 27, 1846.

¹⁸ Figures for December, 1844. See pp. 413, 511.

a barrel; hogs from \$2.60 to \$4.37 a hundred; mess pork from \$8 to \$12 a barrel; and lard from 4¼ to 7½ cents a pound.¹⁹ This rapid rise in prices may not have been chiefly due to the increased circulation, as there was a similar rise throughout the country,²⁰ but so also was there an increased circulation of bank notes in the country as a whole from 1844 to 1845.

Anyway the friends of the new banking system in Ohio seized upon the coincidence as an evidence of the beneficial influence of the system on business and prosperity, and most of the people seemed to believe the evidence. The results of the operation of the system so far seemed to indicate that two of the objects in the minds of the framers of the act had been accomplished, namely to "afford reasonable facilities for obtaining money to meet the wants of commercial and manufacturing operations, and at the same time hold out proper inducements to those having money to invest in banking institutions."

Distribution of Banking Facilities throughout the State.

— Another object proposed to be attained by the authors of the law was "the securing to the several sections of the State a fair participation in the privileges granted by the act."²¹ This, of course, was a matter which involved changes from time to time as towns grew into cities and new industrial and commercial developments took place in certain localities, but its operation after two years of the new system may be seen from the distribution of the banks in the state in May, 1847. At that time there were 39 banks in Ohio with a capital of \$5,071,728. These were located in 23 of the most populous counties, the larger cities having the most banks, thus Cincinnati had 6, Cleveland and Columbus each had 4, Dayton, Chillicothe, Sandusky, and Toledo 2 each, and no other city more than one. On the basis of the state's population in 1850 the per capita banking was

¹⁹ Report of Ohio Commissioner of Statistics, 1859, p. 816.

Appendix, p. 519.

²¹ Dewey, p. 260.

²² Message of Governor Dennison, Jan. 6, 1862.

Cincinnati Daily Gazette, Jan. 7, 1862.

Knox, p. 680.

\$2.56 which was fairly well distributed over the state, as may be seen from the following table.

DISTRIBUTION OF BANKS AND CAPITAL IN OHIO, MAY, 1847.

Town. ²³	County.	Population in 1850. ²⁴	Number of Banks. ²⁵	Capital Stock.	
				Paid in. ²⁶	Per Capita. ²⁶
Springfield	Clark	22,178	1	\$55,710	\$2.512
Salem	Columbiana	33,621	1	60,000	1.785
Cleveland	Cuyahoga	48,099	4	349,068	7.257
Delaware	Delaware	21,817	1	74,195	3.401
Sandusky	Erie	18,568	2	130,000	7.001
Lancaster	Fairfield	30,264	1	49,020	1.619
Columbus	Franklin	42,909	4	682,710	15.911
Xenia	Greene	21,946	1	146,550	6.678
Cincinnati	Hamilton	156,844	6	1,640,026	10.456
Norwalk	Huron	26,203	1	200,000	7.633
Steubenville	Jefferson	29,133	1	71,230	2.445
Painesville	Lake	14,654	1	30,000	2.047
Toledo	Lucas	12,363	2	200,000	16.177
Troy	Miami	24,999	1	31,840	1.274
Dayton	Montgomery	38,218	2	169,750	4.442
Circleville	Pickaway	21,006	1	200,000	9.521
Chillicothe	Ross	32,074	2	199,679	6.226
Portsmouth	Scioto	18,428	1	37,500	2.035
Massillon	Stark	39,878	1	200,000	5.015
Akron	Summit	27,485	1	100,000	7.276
Cuyahoga Falls	Trumbull	30,490	1	35,000	1.148
Warren	Washington	29,540	1	60,000	2.031
Marietta	Wayne	32,981	1	249,450	7.563
Wooster					
Total for 23 counties.		783,698	39	\$5,071,728	\$6.473
Total for State (87 counties)		1,980,329	39	5,071,728	2.561

²³ From the Ohio State Auditor's Report of May 5, 1847, quoted in the Banker's Magazine, Vol. 2 (1847), p. 128.

²⁴ For location of towns, see map of Ohio, p. 244.

²⁵ Population of counties from Bulletin No. 41, 12th Census of U. S., p. 2.

²⁶ Computed by dividing amount of capital by population of county in 1850.

Statistics of Growth of Banks under the General Law. —

The 39 banks in Ohio in May 1847 comprised 8 old banks, 9 independent banks, and 22 branches of the state bank. The principal resources and liabilities in each class are shown in the following:

OHIO BANK STATISTICS, MAY 1847.²⁶

	<i>Independent.</i>	<i>Branch.</i>	<i>Old.</i>
Loans and Discounts.....	\$1,187,713	\$4,812,772	\$4,936,175
Specie	201,035	1,080,467	745,047
Capital	440,300	2,070,700	2,560,700
Circulation	707,700	3,678,900	2,894,400
Deposits	754,600	1,274,900	1,327,300

These figures represent the highest point reached during this period by the old banks. From this time on they gradually decreased in number and capital until finally the last one went under with the panic of 1857. The independent banks and the branches of the state bank, however, gradually increased from the time they were first organized in 1845 until they reached their highest point in 1851. In that year there were twelve independent banks with a capital of \$865,000, circulation of \$1,391,000, deposits of \$1,547,000, and loans and discounts of \$2,711,000; while there were forty-one branches of the state bank with a capital of \$4,852,000, circulation of \$8,785,000, deposits of \$3,134,000, and loans and discounts of \$11,994,000. The organization of free banks also during that year brought the total number of authorized banks in the state up to seventy, the highest number before the war.

²⁶ Bankers' Magazine, 2:129.

CHAPTER X.

THE NEW CONSTITUTION AND THE FREE BANKING LAWS OF 1851.

Failure of Old Banks. — As early as June 1846 a New York "Bank Note Detector" published that Lake & Co. had for sometime been advertising to redeem the bills of the Bank of Wooster at 1 to 1½% discount. As it was well known in Ohio that Lake was the chief owner of this bank, the fact that he was shaving his own notes was taken as warning that they were questionable.¹ Ohio papers kept repeating the warning and in April, 1848, its complete failure was announced, with the news that the loss to the people of Ohio would be from \$250,000 to \$500,000.²

Early that year there was a run on the Norwalk and Sandusky Banks, and Ohio banks soon refused to take their paper, which was considered practically worthless.³ A special report of the state auditor on these banks states that 242 shares out of 1000 of the Sandusky Bank were held outside the state, and 143 were held by the bank which had received them for debts due from stockholders; of \$188,801 of bills receivable \$141,709 were due from stockholders; of \$188,801 of bills receivable 0141,709 were due from stockholders as principals and they were generally mutually indorsers for each other.⁴

As to the Bank of Norwalk, of its \$138,048 bills receivable and \$51,025 bills of exchange, \$112,598 was due from stockholders, with no personal security in any case other than the indorsement of a stockholder, and most of it with no indorser, and on the responsibility of a single maker of the note. With but one exception every stockholder was indebted to the bank. These

¹ Ohio Press, June 6, 1846.

² Cleveland Times, Apr. 5, 1848.

Cleveland Plain Dealer, May 17, 1848.

³ Cleveland Times, May 17, 1848 and Sept. 6, 1848.

⁴ Ohio Exec. Doc., 1848, Part II, p. 13.

loans had long been standing and had been frequently extended. They were in fact loans upon the security of stock. Besides this there were \$35,344 of bills receivable due from several individuals with no security but the maker's name. The liabilities to the public were \$189,337, while the ready cash means amounted to \$44,341.⁵ In 1850 the notes of these banks were quoted in Cleveland at from 50 to 75% discount, while the notes of all the other authorized Ohio banks were quoted at par.⁶

The Anti-Bank Party again in Power. — Such things as these increased the opposition to banks, which indeed had never died out in the state. Bank reforms, which had been the slogan of the Democrats from 1838 till 1846, began in the latter year to be superseded by the cry of bank destruction.⁷ As one paper puts it, the Democrats would "reform banking by the entire abolition of all chartered and special privileges and by a return to the constitutional currency of gold and silver."⁸ The Whigs took the ground that the new banking system had restored confidence, that business was in a healthful state and that existing conditions should not be disturbed.⁹

The Constitutional Convention. — The Democrats in 1850, however, again placed themselves on the hard money platform and this time succeeded in winning at the polls.¹⁰ They also obtained a majority of the delegates to the constitutional convention which met that year in Columbus to devise a new constitution for the state; and a determined effort was made to put a clause in the constitution requiring the legislature to abolish existing banks, prohibiting the creation of all banks of issue in the future, and making gold and silver the only constitutional currency in the state.¹¹ Early in the struggle, however, it be-

⁵ Ohio Exec. Doc., 1848, Part II, p. 21.

⁶ Cleveland Herald, May 1, 1850.

⁷ Ibid., July 23, 1850.

⁸ Ohio Press, July 23, 1847.

⁹ Gov. Ford's Message, Jan. 22, 1849. Niles, 75:92.

See also Cleveland Herald, July 20, 1850.

¹⁰ Ohio Statistics, 1904, p. 485.

¹¹ Bankers' Magazine, 5:175.

The Belmont Chronicle, and Farmers' and Mechanics' Advocate, (St. Clairsville), Sept. 27, 1850.

came evident that there was considerable division of sentiment among the Democrats in the convention on the subject of banks, and that it would require the strong lash of the party to keep all the members in the hard money traces. Mr. Clark of Lorain introduced a resolution in May contemplating free banking under certain regulations, if the people of the state should approve. Mr. Dorsey of Miami, also a Democrat, introduced resolutions prohibiting the legislature from granting special bank charters, but permitting it to pass general banking laws with certain restrictions, which must, however, be submitted to the people before they should go into operation.¹² There were in the convention, as the Richland County Democrat put it, 48 "sound progressive" Democrats, 16 "moderate or conservative" Democrats, and 44 Whigs, thus giving the last two elements a majority. The Whigs labored incessantly to prevent the insertion of the hard money clause, and finally succeeded, the clause coming within one vote of being placed in the new constitution.¹³

When the new constitution was finally adopted in June 1851, it contained clauses forbidding the legislature from passing special acts conferring corporate powers;¹⁴ providing for double liability of stockholders in all corporations;¹⁵ and requiring that no act of the legislature authorizing banks should take effect until submitted to the people at the general election next succeeding its passage, and be approved by a majority of those voting at such election.¹⁶

Bank Reform in the Legislature. — Meanwhile the state legislature elected in 1850 had also been working on the banking question. While the state convention on July 4 had adopted a hard money plank, this was not approved by all in the party. For

¹² Cleveland Herald, May 29, 1850.

¹³ Ibid., Sept. 10, 1850 and Oct. 2, 1851.

¹⁴ Art. 13, Sec. 1.

From 1802 to 1850 the legislature had granted 3,343 special acts of incorporation, not including municipal corporations, 51 of these had been special acts incorporating banks, all previous to 1845. In addition there had been 37 acts amending bank charters. — Ohio Exec. Doc., 1850, Part II, p. 637.

¹⁵ Art. 13, Sec. 3.

¹⁶ Ibid., Sec. 7.

example the Muskingum County convention a month later declared that they "regarded the resolutions of the state convention simply as the expression of the opinions of the persons there assembled."¹⁷ There was a strong bank reform element in the party, and, moreover, many of the radicals were not opposed to banks so much as to the special privileges and monopoly power which had been so characteristic of the old banks.¹⁸

Besides there was a widely circulated notion that more banks were needed in various sections of the state. Thus the Bankers' Magazine in 1849 pointed out that Ohio the third state in the Union in population had not two-thirds the banking capital of Rhode Island with a population of about 135,000.¹⁹ The Cincinnati Gazette in 1850 was complaining that notwithstanding the wonderful strides of Cincinnati's commercial, manufacturing, and shipping interests, legitimate banks were from year to year denied the city, which in banking capital was far behind other cities of her size and smaller.²⁰ And Cleveland's manufacturing, commercial, and marine interests in 1851 were calling for "banks which will devote themselves exclusively to discounting manufacturing and mercantile paper, paper made payable at home instead of at the east."²¹

In response to such conditions the legislature of 1851, though the Democrats had two-thirds of both branches, enacted another general banking law.²² This was the Free Banking Law of March 21, 1851, and although many of the Democratic papers of the state opposed and bitterly denounced the act,²³ it was really in harmony with the Democratic ideas of equal rights. Its popularity is attested by the fact that about the same time free banking laws were passed in Indiana, Illinois, Wisconsin, and a dozen other states.²⁴

¹⁷ Cleveland Herald, Sept. 11, 1850.

¹⁸ See p. 434.

¹⁹ Bankers' Magazine, 4:16.

²⁰ Ibid., 5:169 and 882.

²¹ Cleveland Herald, May 3, 1851.

²² Ibid., May 29, 1851.

²³ Ibid., Nov. 18, 1851.

²⁴ White — Money and Banking, p. 354.

Report of Comptroller of Currency 1896, Vol. 1, p. 44.

The Free Banking Law of Mar. 21, 1851.²⁵ — This law provided that any number of natural persons not less than three might organize a company and engage in banking, with a capital stock of not less than \$25,000 nor more than \$500,000. Before such company could begin business 60% of its capital stock must be paid in, and securities of the State of Ohio or of the United States at least equal in amount to 60% of its capital stock must be deposited with the state auditor. The auditor was then to have circulating notes engraved and furnish them to the bank equal in amount to the securities deposited, but not more than three times the bank's capital.

Notes of the same denomination and in the same proportions as those permitted the State Bank might be issued; but 30% of the amount of the circulation must be kept on hand in coin or its equivalent, actual deposits in sound banks of New York, Philadelphia, or Baltimore being deemed equivalent to coin. All banks organized under this act must receive the notes of each other at par. No bank should exchange its notes for stock, nor its stock for securities to be deposited with the auditor for the redemption of notes. Uncurrent notes must not be paid out, and mutilated notes must be exchanged and burnt.

The liabilities of each bank were limited, loans to stockholders limited, dividends forbidden when capital stock should be diminished and permitted in no case exceed from net profits, and not more than 6% interest in advance should be charged on loans. If a bank should fail to redeem its notes, the auditor was to sell its deposited securities and redeem the notes from the proceeds. Besides there was individual liability of stockholders in proportion to their stock when a bank should fail to redeem; and damages for refusal to redeem notes were fixed at 15% per annum from time of refusal till resumption. Where a bank was owned by less than 6 stockholders they were individually liable for all the debts and liabilities of the bank.

The law also made it the duty of the auditor, treasurer, and secretary of state, or a majority of them, as often as once each

²⁵ Laws of Ohio, Vol. 49, pp. 41-56.

year to appoint some suitable person in the vicinity of the bank, but not a stockholder in any bank in the state, to examine the bank and make a detailed report to the state auditor. All the free banks were to have corporate power until 1872, and thereafter till the act should be repealed.²⁶

Free Banks organized in 1851 and 1852. — During the next few months following the passage of the free banking law twelve new banks were organized under its provisions, thus increasing the number of banks in the state to seventy, with a capitalization on November 15, 1851, of \$7,949,356. In 1852 another new bank was organized under this law making thirteen free banks in all. Others were contemplated but the going into effect of the new constitution effectually stopped the organization of any further banking associations by the provision requiring submission to the people at a general election.²⁷

²⁶ For certain other provisions of the law see Appendix, p. 499.

²⁷ See page 435.

For statistics of free banks see Appendix, pp. 330-336.

The Attorney General of Ohio in 1852 gave it as his opinion that no new banks could be established under the free banking act on account of the new constitution. — Ohio Exec. Doc., 1854, No. 9, p. 564.

CHAPTER XI.

BANKING AND CURRENCY CONDITIONS IN OHIO, 1851 TO 1854.

End of Another Period of Bank Expansion. — The adoption of the new state constitution in June, 1851, so soon after the passage of the free banking law, and the opinion of the attorney general given in 1852 that according to the constitution no more new banks could be established under that law, marked the end of another period of expansion in authorized banking in Ohio. From the adoption of the general banking law in 1845 up to this time the number of authorized banks had steadily increased, as also had the specie in their vaults, their deposits, their capital, their circulation, and their loans and discounts. The only exception to this constant increase was that with the business depression of 1847 their deposits showed a temporary falling off, and their capital and loans showed a lower rate of increase. In 1851 the circulation reached \$11,832,511, and in 1852 the loans reached \$19,241,225, the highest point either had ever attained, and the highest they were destined to reach before the Civil War.¹

Expansion Period one of Business Prosperity. — This period of bank expansion was also one of increased business prosperity in the state. While the banking capital of \$3,000,000 in 1843 was rising to \$19,000,000 in 1852, the population rose to 2,000,000, and the total assessed value of taxable property which was \$138,000,000 in 1842, rose to \$508,000,000 in 1852.² Within this period the State had completed her 600 miles of canals and railroads also had come to be an important factor in the transportation of her products.

In April, 1853, the "Railroad Record" showed that Ohio had the largest mileage of railroads constructing and also the largest amount of surplus produce. With the exception of cotton and

¹ See diagram in the Appendix, p. 511.

² See Appendix, p. 520.

tobacco Ohio was then exporting more agricultural products and manufactures from agricultural products than were exported from the whole United States.³ During the year 1852 there were driven from Ross County 7,000 head of beef cattle, as many more from Pickaway County, and from the entire state 68,000. That year also Ohio exported over 2 million barrels of flour, 3 million pounds of butter, 4 million pounds of cheese, 6 million pounds of wool, 6 million bushels of corn, and near 10 million bushels of wheat, besides tobacco, whiskey, pork, and beans, the total, even at the low prices prevailing in Ohio in 1852, amounting to more than \$40,000,000.⁴ This was double the value of the exports ten years before,⁵ and since it was surplus one might say that it represented a net profit for the year of something like 8% on the 500 millions of landed property in the state.

The Profits of the Banks.—As this export trade created a good part of the demand for the banking facilities in Ohio it may be well at this point to inquire what part of this large profit accrued to the banks. For purposes of taxation the banks were required to report their yearly dividends to the state auditor, and his reports show that in 1850 the net profits of the 12 independent banks amounted to \$117,372, the 41 branches of the state bank \$690,781, and 4 old banks \$194,223, a total of \$1,002,376 or an average of nearly 14% on their total capital. In the case of individual banks the rates of profit on the capital paid in ranged from 3.5 to 18.1% for the independent banks reporting, 5.4 to 35.2% for the branch banks, and 4 to 8.3% for the old banks. In 1851 the net profits ranged somewhat higher, being \$122,050 for the independent banks, \$733,844 for the branches of the state bank and \$194,323 for the old banks, a total of \$1,050,117. The rates for the individual banks ranged from 3.1 to 37.1%, the latter being the profit of the Harrison County Branch at Cadiz.⁶ For the year 1853, 36 branches of the state bank reported dividends of \$572,157, the rate varying

³ See Statistical Abstract of the United States, 1911, p. 718.

⁴ Daily Commercial Register (Sandusky, O.), Apr. 11, 1853.

⁵ See p. 415.

⁶ Auditor's Report, Mar. 16, 1852.

from 6 to 20% ; 6 independent banks reported \$95,840, the rate ranging from 7.6 to 13.9% ; and 11 free banks reported \$72,996, the rates running from 2.6 to 12.2%.⁷ These amounts do not include the undivided profits in either case.⁸

Sources of Banking Profits. — Since both the state banking law of 1845 and the free banking law of 1851, under which nine-tenths of these banks were organized, prohibited the banks from charging over 6% interest in advance, one might wonder whence these large dividends. In general the banks made their profits from three sources:

1. The interest on the stocks deposited.
2. The interest derived from bill and note discounting.
3. The premiums and profits from eastern exchange.

As to the first point, the stocks deposited mostly bore 5 and 6% interest, and in the case of the state stock banks were at least equal in amount to their circulation. Sometimes the stocks deposited by a bank were not its actual property but were borrowed, the bank paying 1 or 2% to the owner for its use.⁹ The profits arising from the second source need no explanation. They probably did not constitute over 3/5 of the bank profit.

A big source of profit, however, was the premium realized from eastern exchange over and above the legal interest. Ohio bought most of her imports in New York and there the settlement of balances was ultimately made for both imports and exports. Comparatively little specie was used in these settlements. Ohio's surplus produce always more than paid for the imports. Eastern exchange arose from drafts and bills drawn by Ohio traders upon produce either shipped or to be shipped east. These drafts or bills were discounted at the Ohio banks, which then charged simple interest for the time they had to run. They cost little or nothing to transmit and collect east. At

⁷ *Ibid.*, Apr. 8, 1854.

⁸ For dividends of individual banks in 1853 and net profits of each from date of organization to end of 1853 see Appendix, p. 521.

The Commercial Branch, Cleveland, paid its stockholders an average of nearly 20% for 20 years till its charter terminated in 1865. — *Mag. of West. Hist.*, 2:276.

⁹ Special Report of Auditor. — Exec. Doc., 1853, **Part II**, p. 326.

maturity the banks drew against them, and being more convenient and less liable to risk than specie, usually commanded a small premium.

The majority of the bills were 60 day drafts. Regular 6% interest in advance on these was practically equal to 7%. In addition there was the current rate of exchange at maturity, frequently one per cent or more. On such bills they made 13% per annum. If there were a premium of one-half percent this profit became 16%, which much of the time was the ruling rate. On a 30 day bill, or one having still less time to run, the interest made would be still higher, 25 and sometimes 30%.¹⁰

Other profits arose from buying and selling transient eastern drafts. At Cincinnati and Cleveland much transient exchange was purchased in the market, which yielded considerable profits, from an eighth to a quarter percent. It frequently happened that such a bill was sold on the same day it was purchased. If one-fourth percent was made on the transaction and the capital employed in such business was turned once a week, the profit amounted to 13% per annum, if twice a week 26%, if every day 75%. Doubtless many exchange discounts and purchases were kiting operations by mutual tacit agreement, where no funds were east, nor expected to be there, and yet be paid by the bank and exchange added.¹¹

The Ten Per Cent Interest Law. — One noticeable fact about banking operations in the early 50's was the gradual ex-

¹⁰ Example from Savings Bank of Cincinnati: Dec. 14, 1853, bought 60 day draft on Philadelphia:

Face of draft..... \$3500

Charged exchange.. 17 50

Interest 36 75

\$54 25

Exchange premium 35 00

Profit \$89 25 = over 1½% a month or over 15% a year.

See report special bank examiner, Reemelin, Oct. 15, 1854, p. 347.

¹¹ Report of Special Bank Examiner, Reemelin, Oct. 15, 1854, p. 560.

tion of all home discounting. In the statement of twenty-four stock banks reported in 1854 by the special bank examiner appointed by the auditor and secretary of state, it appears that ten million of the banks' discounts were for bills and only four million for notes. Before 1850 the tendency was rather to discount notes for goods purchased and sold on credit.¹² The change was due largely to what was called the 10% interest law, which was passed in 1850 largely through the efforts of Senator Payne of Cuyahoga County.¹³

This law allowed 10% interest to be charged in special contracts, and was supposed at the time of its passage to be an inducement to outside capital. Its practical result, however, was to create two classes of capitalists: the brokers and private bankers, who could charge 10%; and the authorized banks, limited by the general banking laws to 6%.¹⁴ This seriously affected banking operations. Bankers who previously had been content with dividends of 7 or 8%, began to complain of any less rate than 10%. Cashiers, hearing this and fearing a stampede of their stockholders into private banking, strained every nerve to come up to the coveted 10%. Profits were divided closer than safe banking would justify; contingent funds were omitted; and losses carried forward, instead of being charged off. The exchanges being more profitable than note discounting, many banks ceased in large part to discount home paper.¹⁵

Bankers interested in Broker Establishments. — Many bank managers became interested in broker establishments, and many brokers in banks, both in and outside the state. Both bankers and brokers were quick to discover opportunities for mutual profit. It followed that the banks seldom had any money to loan at 6%, when they could hand it over to the broker who

¹² Hunt's Merchants' Magazine, 21:96, (1849).

¹³ Cleveland Herald, Sept. 30, 1850.

¹⁴ Daily Ohio Statesman, Jan. 8, 1858.

It was said that the author of this law, doubting his re-election to the legislature, intended to retire to private life and devote his business hours to the pleasant occupation of shaving notes, and to make it pay, procured the passage of the law allowing 10% interest. — Cleveland Herald, Sept. 26, 1850.

¹⁵ Ohio Exec. Doc., 1854 No. 9, p. 561.

was allowed to charge 10%.¹⁶ The borrower presenting himself at the bank would be politely told that they had no money to lend at that time; but as he was about to leave he would be told that he might possibly get it next door or around the corner. There he would be accommodated, but at a rate two or three per cent above the proper discount. To prevent this sort of thing in the State Bank it was provided that no branch should, directly or indirectly, establish an agency anywhere for carrying on a banking business. And it is said that no such irregular connections were to be found among the branches of the State Bank.¹⁷ The same cannot be said of all the other banks however. In one locality in 1854, a few men organized as a bank on one side of the street were confined to 6%, but the same men as a broker partnership on the other side of the street were allowed to charge ten,—and both dealing with the same money. In Cincinnati managers of a foreign bank were loaning the notes of that bank at 10%, while the Ohio banks who circulated the same notes by arrangement, and were furnishing eastern exchange for them, could not legally charge more than 6%. Again a bank on the lake, not being permitted to charge over 6% at its counter, was sending its capital to a broker firm in Cincinnati, who were its stockholders, and they were charging 10% for the same money.¹⁸

Increase of Private Banks and Broker Shops.—The withdrawal of so many of the authorized banks from home discounting, along with the tempting 10%, fostered into existence all over the state private bankers and brokers of but little real capital. They offered 6% interest and more for deposits and

¹⁶ Daily National Democrat (Cleveland), Sept. 30, 1859.

The Miami Valley Bank at Dayton and the Seneca County Bank at Tiffin are examples of banks whose chartered privileges were placed in abeyance in the hands of their principal stockholders—brokers, who used the circulation and enjoyed all the advantageous part of the charter, but escaped all the legal restraints, especially as to interest.—Ohio Ex. Doc., 1854, No. 9, p. 559.

Daily Ohio Statesman, Jan. 8, 1858.

¹⁷ State Bank of Ohio—Janney, p. 154.

¹⁸ Ohio Exec. Doc., 1854, No. 9, p. 561.

banked on them.¹⁹ They also entered the exchange market and operated without restraint as to discount or premium. What rate of interest they charged was not positively known but it was generally assumed to be not less than 12% and from that up to 50% per annum.²⁰

Little is known as to the number of these private banks and broker establishments in the state. The Bankers' Magazine in 1851, commenting on the insufficiency of incorporated banking capital in Cincinnati, names eighteen private banks but also refers to a "host of brokers who are employed in shaving notes or getting them shaved;" and referring to their high interest charges states that "the mercantile community of Cincinnati are annually fleeced out of from 20 to 25% of their hard earned profits in the shape of usurious interest," while the private bankers and brokers have built up fortunes for themselves.²¹

Many of these firms were quite important. The Cincinnati Gazette in December 1852, refers to several private banks in that city returned by the assessor at from \$200,000 to \$400,000 each and numerous others at 150,000 dollars each.²² While in October 1853 the Bankers' Magazine estimates the private banking capital of Cincinnati at \$4,000,000, not including brokers with taxable capital under \$10,000. The capital of the firms included ranged from \$17,700 to \$1,200,000.²³ The largest of these, Ellis and Sturges, together with two other well known and well thought of houses, Smead and Co., and Goodman & Co., suspended payment in the fall of 1854, causing great excitement in the city.²⁴ The Bankers' Magazine in 1854 names 53 private

¹⁹ Cleveland Herald, May 9, 1851, contains an ad. of one of these private bankers, offering 6% interest on demand deposits, 8% if subject to 10 days' notice, and 10% on special deposits for 12 months. Another in the same paper offered from 4 to 6% interest. Also in Cist's Weekly Advertiser (Cincinnati), February 11, 1853, a broker was advertising for note and bill discounting, and offering 6% interest on checking deposits and higher interest if left for a specified time.

²⁰ Bankers' Magazine, 5:882 (1850-1).

²¹ Ibid., 5:169 and 882.

²² Cleveland Herald, Dec. 20, 1852.

²³ Bankers' Magazine, 8:359.

²⁴ Cincinnati Daily Enquirer, Nov. 9, 1854.

banks in Ohio;²⁵ while special bank examiner Reemelin the same year estimated that there were not less than 100 broker shops and private banking houses in the state.²⁶

Failure of Laws against Unauthorized Banking. — These private bankers and brokers aided greatly to demoralize regular banking operations and force upon the people of the state a depreciated currency. Their unrestrained exchange operations helped to prevent any reliable currency standard, and eastern exchange was rendered more fluctuating. Their desire for cheap money and plenty of it to loan at high and profitable rates of interest led them to the use of more and more foreign and questionable home paper, thus helping to give Ohio a depreciated currency.

All laws against unauthorized banks and bank paper seem to have been in vain. Almost at once after the passage of the general banking law of February 24, 1845, the legislature had passed a law, March 12, 1845, prohibiting anyone from engaging in banking without express authority of the state law.²⁷ That this law proved inadequate is seen from the fact that less than a year later, January 22, 1846, an act was passed to prevent unauthorized banking, which prohibited banks and brokers from banking on the currency of other states, and prohibited the circulation of foreign notes under \$5 and all notes of old banks whose charters had expired.²⁸

The State Bank of Ohio endeavored to act in accordance with these laws, and discountenanced the circulation of foreign notes in the state. On August 11, 1847 the board of control passed a resolution that after October 1, of that year no branch should circulate any foreign bank notes not readily converted into coin at par. The board of control repeatedly took action

²⁵ Bankers' Magazine, 9:19-23.

²⁶ Ohio Exec. Doc., 1854, No. 9, p. 562.

²⁷ This was supplemented by an act of May 1, 1854, prohibiting the paper of banks whose charters had expired. — Ohio Laws, 52:133.

²⁸ Ohio Laws, 44:13.

Knox, 682.

This was amended March 2, 1846, allowing the state treasurer to circulate such notes until August 15, 1846. — Ohio Laws, 44:116.

on the subject of unauthorized circulation.²⁹ Not all other banks, however, were so careful, and February 24, 1848 an act was passed forbidding Ohio banks to pay out foreign bank notes under penalty of one-half the amount of the bills so paid out, while any notes purchased in violation of this act should be deemed null and void.³⁰ The prohibition could not be enforced, however, and, as we have seen, after the passage of the 10% interest law in 1850 the evil became worse.

The small notes gave the most trouble and on May 1, 1854, a law was passed forbidding the circulation after October 1 of any foreign notes less than \$10, under penalty of \$100 fine and forfeiture of charter.³¹ This was intended to get rid of what one paper called "the swarm of unsafe, rotten shinplasters with which we are flooded from other states."³² The small note law was very generally disregarded, however, especially whenever currency became scarce or exchange advanced;³³ and when the Republicans came into power it was repealed March 5, 1856.³⁴ In Governor Chase's inaugural address in January of that year he remarks: "All attempts to exclude, by penal legislation, the bank notes of other states from circulation in this have proved

²⁹ State Bank of Ohio — Janney, p. 171.

³⁰ Ohio Laws, 46:79.

Ten years later Gov. Chase recommended to the legislature the strengthening of this law to prevent the evils of foreign paper in the state. — Daily Ohio Statesman, Jan. 4, 1858.

³¹ Ohio Laws, 52:83.

³² Cincinnati Daily Enquirer, June 25, 1854.

³³ Many of the small notes circulating in Ohio were those of eastern banks, which if good at all answered as exchange for all ordinary purposes, and when exchange was high poured into the state until a decline in exchange rendered it expensive to continue the operation. — Daily Ohio Statesman, Nov. 28, 1855.

³⁴ Ohio Laws, 53:20.

An Ohio paper has this to say on the subject: "One of the acts of the last Democratic Legislature was to render the passing of small notes on foreign banks illegal, punishing it with an adequate penalty. While that law was in force, there was specie enough in use to answer every demand. But the Black Republicans repealed this law, and in less than 30 days, the State was flooded with petty rags, many of them on banks the location of which it was impossible to trace out on any map yet published." — Daily Ohio Statesman, Oct. 10, 1857.

ineffectual; and the public sentiment demands an increase of banking capital, organized under our own laws."³⁵

Demand for More Banking Capital in Ohio.—The cry for more banking capital was an old one in Ohio. But it was especially loud in the years following the adoption of the new constitution.³⁶ The assertion was often made that not enough banking capital was authorized by the laws. It may be questioned, however, whether the statement was altogether correct.

Cincinnati was the place most often cited where it was said the State had not provided sufficient banking capital and circulation.³⁷ Yet the banks authorized there and in existence in 1854 might have issued a circulation of at least \$4,500,000. The argument of a lack of capital or opportunity to maintain such a circulation seems weakened somewhat by the fact that five banks in Indiana and Kentucky issuing circulation to the amount of some \$3,000,000 were maintained chiefly from Cincinnati capital,³⁸ while the Commercial Bank of Cincinnati protected for some time a large Tennessee circulation, and all the Cincinnati banks and brokers aided in the circulation of foreign notes. The same money that maintained a foreign circulation might have maintained a home currency.

³⁵ Cincinnati Daily Enquirer, Jan. 15, 1856.

³⁶ Mr. H. F. Baker writing in 1854 on Banking in the United States, states that the great want of banking capital was the chief difficulty in the Ohio system.—Bankers' Magazine, 9:6, (July, 1854).

³⁷ See pp. 436 and 445.

Bankers' Magazine, 11:171.

³⁸	<i>Foreign Bank.</i>	<i>Ohio Owners.</i>	<i>Circulation.</i>
Commerstown Bank	B. F. Sanford.....		\$831,875
Steuben County Bank.....	S. W. Torrey & Co.		150,000
New York and Virginia State Stock Bank	Atwood Dunlevy & Co.		236,000
Kentucky Trust Co.....	B. F. Sanford.....		1,000,000
Branch of State Bank, Lawrenceburg..	S. W. Torrey & Co.		not known
			<hr/> \$2,220,875

B. F. Sanford was chief stockholder and also chief debtor of the Savings Bank of Cincinnati, a free bank.—Ohio Exec. Doc., 1854, No. 9, p. 565.

The same may be said of other places in Ohio whose bankers started Indiana banks.³⁹ Various Illinois and even more distant banks also were used for circulation, for which Ohio capital and exchange furnished the basis, thus indicating that it was not lack of capital in Ohio that prevented a sufficient home currency. That it was not prevented by want of authority is also suggested by the fact that at no time during this period had all the \$6,150,000 capital authorized by the general banking law of 1845 been taken up by nearly \$2,000,000. And even if no more banks could have been organized under the law of 1851, the thirteen free banks already organized, being allowed \$500,000 each, might have taken up \$6,500,000 in all, some \$5,700,000 of which remained unappropriated. Had all this capital been taken up and notes issued to the full amount authorized, the total circulation would certainly not have fallen short of \$20,000,000, which amount it was claimed Ohio needed at that time.⁴⁰

Depreciated Currency in the State.—It is likely that Ohio frequently did have that much of a circulation, such as it was, even during the years 1853 and 1855 which show so decided a contraction in the authorized circulation. During the summer of 1854, for example, it is said the currency manufacturers and borrowers never had been busier. The home currency was neglected, it is true, adjoining states were ransacked for banks when established, in order to borrow circulation from them, or to establish new banks. And yet money was scarce, and eastern exchange more so. Ohio borrowed and borrowed everybody's credit and called it money, and the more she borrowed the less real money she had. Many Ohio bankers, interested in banks in other states, encouraged this borrowing propensity. They were aided by the brokers, many of whom became the worst

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The Central Bank, Indianapolis.....	Judge Brown	\$323,000
Upper Wabash Bank.....	Marfield of Circle- ville	195,000
Wayne Bank, Richmond.....	Beckel of Dayton...	100,000
Northwestern Bank	Tallmadge of Lan- caster	300,000

—*Ohio Exec. Doc.*, 1854, No. 9, p. 565.

⁴⁰ *Ohio Exec. Doc.*, 1854, No. 9, p. 566.

species of banks of issue. The effect was to introduce into the state a mass of foreign paper which expelled from circulation not only nearly all the coin, but also much of the paper of the home banks, thus exposing the community to great inconvenience and loss.⁴¹

For several years Indiana, Illinois, Kentucky, Virginia, Louisiana, and Michigan supplied the currency to the exclusion of Ohio bank notes. Thus a depreciated currency standard was imposed on the state. As the currency fell, eastern exchange rose; and with the advance in exchange there was a rush for the redemption of all the Ohio notes that were easily accessible. The exchange thus drawn from Ohio supplied new foreign issues, and through them a constant draft upon Ohio was kept up by the brokers, who were playing into the hands of half Ohio half Indiana bankers. The result was that Ohio bank notes had to be redeemed five or six times a year or oftener in eastern exchange. As each redemption cost at least 1%, it followed that it cost some 6 to 10% a year to maintain an Ohio circulation.⁴² This cost was the great obstacle to Ohio circulation, which declined from 11.8 millions in 1851 to 8 millions at the close of 1854. During the same period the specie in the authorized banks declined from 2.8 millions to 1.7 million.⁴³

Schemes to Avoid Redemption. — To avoid the continual draft upon them, banks resorted to those schemes so prevalent in former years so to pay out their own paper as to drive it as far from home as possible, while about home they circulated foreign paper.⁴⁴ This habit had been common prior to 1850 and does not seem to have been confined to any one class of banks. About the time the State Bank of Ohio was established it was generally known that Ohio banks had agencies in Illinois to

⁴¹ Message of Governor Chase, Jan. 4, 1858 — *Daily Ohio Statesman*, Jan. 5, 1858.

⁴² *Ohio Exec. Doc.*, 1854, No. 9, p. 566.

Also *Ohio Banks* (Baker). *Bankers' Magazine*, 11:171.

⁴³ See Appendix, p. 511.

⁴⁴ H. F. Baker writing of Ohio banks in 1856 cites an instance of an old and wealthy citizen of Cincinnati writing a letter to the city council in which he states that in 6 years he had received but 4 Cincinnati bank notes. — *Bankers' Mag.*, 11:174.

distribute their paper for circulation, with the object of keeping it at a distance and preventing its return for redemption.⁴⁵ A little later these agents and others in Iowa were reported to be telling the people of those states that the State of Ohio was bound for the redemption of the notes of the State Bank of Ohio.⁴⁶ In Ohio branch banks in distant parts of the state were said to circulate for each other,⁴⁷ the bills being regularly exchanged, package for package.⁴⁸ Customers of a bank would frequently be given notes of the bank only under a promise not to pay them out until they should get a considerable distance from home, the object being to keep their notes in the hands of people who were too far away to offer them for redemption in gold or silver.⁴⁹

In 1851 a special bank examiner, A. F. Johnson, commenting on Ohio banking said that the availability of specie ever since resumption had been a practical delusion, as the banks employed the financial subterfuge "of circulating or paying out the paper of each other, and while deluding the people with the cant of paper or specie at the will of the holder, the circulation of each bank was found as far from the place of issue as they could find men to carry it or roads to travel."⁵⁰ While in 1854 the report of the special bank examiner, Charles Reemelin, shows that the practice of exchanging notes and keeping their circulation as far from the bank as possible was still common to all the banks of the State. Ohio bankers have, said he, like many other bankers, "a pernicious hankering for always circulating among the people

⁴⁵ Daily Ohio Statesman, Jan. 6, 1846.

The Commercial Bank of Cincinnati had a St. Louis "agency" which became a federal depository. — U. S. H. of R. Comm. Reports, 1836-7, No. 193, p. 598.

⁴⁶ Ohio Press, May 2, 1846.

⁴⁷ Thus the Exchange Branch of Columbus circulated in that city notes of the Commercial Branch of Cleveland while the latter circulated notes of the former. — Ohio Press, July 22, 1846.

⁴⁸ Cleveland Times, June 23, 1847.

⁴⁹ Cleveland Times, Sept. 8, 1847. Also Ohio Press, Oct. 28 and 31, 1846.

Cincinnati Daily Enquirer, Mar. 10, 1846.

⁵⁰ Ohio Exec. Doc., 1851, Part I, p. 666.

that currency which the people have the least chance to get redeemed; and they seem to regard it as a part of their *esprit du corps* to drive all bank notes as far as possible from home."⁵¹

The Use of Banks for Deposits and Loans.— Throughout the period then the banks seem to have failed to give Ohio a good home currency. They also, at least in the later years, failed to regulate trade. Exchange was subjected to the fluctuations incident to a depreciated currency, resulting in inconvenience and loss to the whole business community. Mr. Reemelin in 1854 estimated the illegitimate cost to the state from extra exchange, note shaving, and broken banks at \$750,000 a year.⁵² And H. F. Baker in his history of Ohio banks two years later declared this amount too low, in view of the fact that the exports and imports of Cincinnati alone for that year were nearly \$90,000,000.⁵³

The chief use of the banks was coming to be not that of furnishing Ohio a home currency, nor exchange at fair rates, but to provide a gathering place where surpluses could safely be deposited, to be loaned to such as needed temporary accommodations. The capital of the citizens rather than that of the banks had for months done the business of Ohio. Very little of Ohio banking capital was then owned outside the state. Ohio bank statistics in the fall of 1854 stood somewhat like this:

Capital already accepted in Ohio.....	\$6,000,000 ⁵⁴
Discounts from this capital.....	14,500,000
<hr/>	
Surplus of discounts over capital.....	\$8,500,000
Of which the deposits account for.....	6,200,000
<hr/>	
Leaving but	\$2,300,000

to be provided for by the little Ohio circulation remaining after supplying the specie and exchange required by law.

⁵¹ Ohio Exec. Doc., 1854, No. 9, p. 567.

⁵² Ohio Exec. Doc., 1854, No. 9, p. 563.

⁵³ Bankers' Magazine, 11:174.

See also Appendix, p. 525.

⁵⁴ Ohio Exec. Doc., 1854, No. 9, p. 569.

All this was Ohio capital. With the brokers and private bankers the case is still clearer. Practically all their loans came from deposits. The growing importance of the deposits relative to the capital and circulation of the Ohio Banks during the years 1851-4 may be seen from the following:

STATISTICS OF OHIO BANKS IN MILLIONS OF DOLLARS.⁶⁵

<i>Year.</i>	<i>Capital.</i>	<i>Circulation.</i>	<i>Deposits.</i>
1851	7.6	11.8	5.5
1852	7.8	11.5	6.0
1853	7.1	11.4	7.4
1854	8.0	9.8	7.7

From these figures it may be deduced that while the ratio of circulation to capital dropped from 155% in 1851 to 123% in 1854, during the same period the ratio of deposits to capital rose from 72% to 96%. Moreover, while the circulation showed an absolute decline from year to year, the deposits showed a constant advance. Thus the deposits were only 47% as large as the circulation in 1851, but 79% in 1854.⁶⁶

Bank Failures in 1854.—The day had not yet come, however, when the deposit function exceeded that of note issue in Ohio banks. The figures given above are for the first of each year. By the end of 1854 the circulation had still further declined, but the deposits also had fallen off. Notwithstanding the

⁶⁵ Report of Comptroller of Currency, 1876, p. CXVII.

⁶⁶ Most of the banks in the state at this time were willing to pay 4% or more for deposits left with them for more than 90 days.—Ohio Exec. Doc., 1854, No. 9, p. 567.

The increasing importance of deposits became still more apparent towards the close of the period, as may be seen from the statistics of the free, independent, and branch banks in Ohio, which showed the following changes from 1860 to 1863:

	<i>Decreased.</i>	<i>Increased.</i>
Capital	\$800,424	.....
Circulation	1,882,576	.....
Discounts	881,050	.....
Specie	172,628	.....
Deposits .....	.....	\$6,195,036

—*Rept. O. Com'r Statistics*, Feb. 5, 1864, p. 628.

contraction in the circulation of the authorized banks in the state, the years of depreciated currency and demoralized banking had produced an excessive inflation and a commercial crisis. The banks of the state organized under the general laws received their first shock in 1854, when at the time of the crisis in the stock market at New York the Ohio valley was the scene of a bank crisis.⁵⁷ During the three years 1852-4, fourteen of the authorized banks in Ohio failed, or closed up for other reasons. Of these, ten disappeared from the state auditor's reports in the year 1854, three of them being old banks, three free banks, two independent banks, and two branches of the state bank.⁵⁸

Condition of Remaining Banks. — Of the four classes of banks in the state then, there remained at the close of 1854 but one old bank, nine independent banks, ten free banks, and thirty-seven branches of the state bank. The old bank was the Ohio Life Insurance and Trust Company of Cincinnati. The capital of this institution was \$2,000,000, only about \$600,000 of which, however, was employed in its banking business, the remainder being used in the insurance and trust department. This company was conservative and its business said to be conducted in the most careful manner.⁵⁹ The branches of the state bank, too,

⁵⁷ Banking in All Nations, 1:442 and 4.

Cincinnati Daily Enquirer, No. 9, 1854.

For failure of important private banks in Cincinnati see preceding page 445.

⁵⁸ The charters of two of these old banks expired Jan. 1, 1854. The charters of two others, the Bank of Circleville and the Bank of Massillon, were to expire in 1855, but both became insolvent and were ranked among the broken banks of the state before the end of 1854.

The Bank of Massillon failed in November, 1853, close upon the failure of H. Dwight of New York City, its principal owner, who had used practically all its circulation in building the Cleveland & Pittsburg and the Chicago & Mississippi Railroads. The last report of the bank showed that Dwight had \$350,000 of its means subject to sight draft. Its capital was \$200,000, of which he owned \$170,000. — See Cleveland Plain Dealer, Nov. 7, 1853, and Cincinnati Daily Enquirer, Nov. 19 and Dec. 3, 1854.

For branches of State Bank which failed in 1854, see Note, p. 483.

⁵⁹ Men and Measures of Half a Century — McCulloch, p. 132.

Hunt's 28:736.

were generally regarded as sound and enjoyed the utmost public confidence.⁶⁰

The free banks and the independent banks, however, the special bank examiner in October 1854 placed in three classes: Safe and doing a legitimate business, 6; Guilty of some one or other improper practice, 8; More or less liable to censure and loss, 8.⁶¹ Of these, one independent bank and two free banks failed before the end of the year, leaving but 57 authorized banks still in active operation in Ohio on the first day of January 1855.⁶²

⁶⁰ Ohio Banks — Baker. Bankers' Magazine 11:167.

⁶¹ In Class No. 1, was but one free bank, the Bank of Commerce, Cleveland; the five independent banks were the Franklin Bank of Zanesville, Bank of Geauga, City Bank of Cleveland, Mahoning County Bank, and the Western Reserve Bank at Warren.

In Class No. 2, were two independent banks, the Commercial Bank at Cincinnati and the Canal Bank at Cleveland; and six free banks, Champaign County Bank at Urbana, Merchants' Bank at Massillon, Bank of Marion, Franklin Bank of Portage County, Pickaway County Bank at Circleville, and the Springfield Bank.

In Class No. 3, were three independent banks, Sandusky City Bank, City Bank of Cincinnati, and the City Bank of Columbus; and five free banks, Savings Bank of Cincinnati, Stark County Bank at Canton, Union Bank of Sandusky, Forest City Bank of Cleveland, and the Iron Bank of Ironton. — Ohio Exec. Doc., 1854, No. 9, p. 557.

⁶² For statistics of condition see Appendix, pp. 508, 514.

The Canal Bank of Cleveland failed to redeem its notes in November, 1854, and was placed in the hands of a receiver. — Magazine of Western History, 2:287.

CHAPTER XII.

BANK TAXATION IN OHIO BEFORE THE WAR.

Decline in Banking Facilities attributed to Tax Laws.—

A large part of the decrease in the number of banks during the years following the new constitution was attributed by the banks to adverse legislation. The party then in power was credited with a hostility to all banks. Their opponents had charged them with trying to frame the new constitution so as to admit of legislation which would crush the banks. That plan failing, these critics assert, they then turned to the taxing power as a means of waging war on the banks.¹ That this party the same year the new constitution was adopted passed the free banking law, thus throwing open the opportunities to engage in banking, did not prevent even the free banks themselves from heaping criticisms upon the tax laws.

The decline in the circulation of the authorized banks beginning in 1851 and the drop in capital and loans in 1852 were at once attributed to the tax laws of those years. The Bankers' Magazine in July, 1853, states: "The severe tax laws of Ohio, adopted within the last two years, have had a depressing effect upon the banking system and facilities of that state."² Mr. Henry F. Baker, writing in the same year, observes: "It is such laws as these which stimulate reckless financiers to artifices and schemes of evasion, wholly at variance with the principles of sound banking."³ While in 1854 the banks themselves almost uniformly held up the tax law as the scape goat of all their financial troubles.⁴

Taxation of Dividends or Profits prior to 1850. — Without doubt the legislation on the subject of taxing the banks had

¹ Daily Commercial Register (Sandusky), March 2, 1853.
Banking in All Nations, 1:442.

² Bankers' Magazine, 8:85.

³ Banks and Banking in the United States — H. F. Baker, p. 40.

⁴ Report of Bank Examiner Reemelin, Oct. 15, 1854.

been varied and somewhat vacillating. Prior to the general banking law of 1845 the general principle followed had been that of a tax on dividends.⁵ And the law of February 24, 1845, authorizing the State Bank of Ohio and other banking companies required the banks to pay, in lieu of the tax on dividends, 6% on the profits after deducting expenses and ascertained losses.⁶ The banks organized under this law paid this 6% tax for several years without question and the arrangement was generally considered as a contract binding on both state and banks.

The old banks then in the state were by their charters made subject to a tax of 5% on their dividends as provided by the tax law of March 12, 1831, and such taxes as might be imposed by law. This law was amended March 2, 1846, the same day the Ohio legislature passed the Alfred Kelley general property tax law, and all the banks except the Ohio Life Insurance Co. and those organized under the State Bank law, were required to set off for the state 6% of their gross profits in lieu of the tax on dividends.⁷ The general property tax law provided for assessing and taxing property according to its money value, but the taxing of the banks only on their profits was held out as a bonus for foreign capital.⁸

⁵ See preceding pages. Also Index.

Pennsylvania, in 1814, was the first state to adopt this form of bank taxation. Virginia and Ohio were the only other states which began and for some time continued to tax banks on dividends, though Vermont and some others sometimes inserted charter provisions reserving to the state part of the profits.—*Essays on Taxation*—Seligman, p. 143.

⁶ Ohio Laws, 43:24.

Some of the banks construed this so as to make the 6% payable to the state part of the expenses and to be deducted before setting off the state's share, thus giving the state a smaller share. To settle this question the state brought suit against the Franklin Branch in Columbus, one of the banks which deducted the 6% as an expense. The court held that this 6% was not a part of the expenses, but rather a part or share of the dividend of profits, and gave judgment for the state.—*Bankers' Magazine*, 4:412 (1849).—*Hunt's Merchant's Magazine*, 22:103 (1850).

⁷ Ohio Laws, 41:121.

The O. L. I. & T. Co. still paid 5% on its dividends.

⁸ Message of Gov. Medill, Jan. 7, 1856—*Cincinnati Daily Enquirer*, Jan. 9, 1856.

Tax on Capital Stock and Surplus in 1850 and 1851.—

For some years then there was more or less agitation for a law taxing banks on their loans and discounts, with the idea of getting at their real capital in trade.⁹ Finally an act was passed March 23, 1850 providing that each bank, whose charter did not provide another mode of tax, should report the amount of its capital and surplus and be taxed on that sum at the same rate as was assessed on money at interest at the place where the bank was located.¹⁰ Banks taxed specially could consent to this act and come under it. The idea was to tax banks just as other property was taxed. The Whigs and Free Soilers all advocated this law and the Democrats, or Locofocos as they were called, almost all opposed it.¹¹

By January, 1851, five banks had accepted the terms of this act. Thus there was quite a diversity of bank taxation in the State. The Ohio Life Insurance and Trust Co., for example, under its charter was taxed but 5% on its dividends, the new banks organized under the State Bank law of 1845 paid 6% upon their profits, except those that accepted the terms of the act of March 23, 1850; these paid the regular property tax rate on their capital stock and surplus fund.¹²

On March 21, 1851, the legislature passed a law taxing banks and other stocks the same as other property in the State was taxed.¹³ This placed the tax on capital stock and surplus the same as the law of March 23, 1850, but its provisions were general and applied to all banks then existing or afterwards to be established in the state, unless exempted by contract.¹⁴ That this law did increase the taxes on the banks is shown by the state auditor's report for 1851 which gives the total taxes paid by the banks under the act of March 21, as \$129,722.58, while

⁹ Ohio Press, Jan. 6, 1847. Ohio Ex. Doc., 1848, Part 2, p. 536.
Ibid., 1850, Part 1, p. 359.

¹⁰ Ohio Laws, 48:88.

¹¹ Belmont Chronicle, March 29, 1850.

¹² State Auditor's Report.

Cleveland Herald, Jan. 16, 1851.

¹³ Ohio Laws, 49:56.

¹⁴ Ohio L. I. & T. Co. vs. Henry Debolt — 16 Howard 439.

if they had been taxed on their profits alone the tax would have been only \$64,104.52.¹⁵

Opposition to Tax Law of 1851. — By March 1852 five independent and seven branch banks had placed themselves under these acts of 1850 and 1851.¹⁶ The majority of the banks organized under the law of 1845, however, opposed the law, and May 22, 1851, the board of control of the state bank adopted resolutions asserting that it was inexpedient for the branches to waive their constitutional and charterde rights and consent to be taxed under the act of March 21, 1851.¹⁷ A test case was submitted to the State Supreme Court, which held that the act of 1845 contained no contract on the part of the state not to change the mode or amount of taxation. The Supreme Court of the United States, however, at the December term 1853, overruled this decision, and held that the act of 1851 impaired the obligation of a contract and was therefore void.¹⁸

Tax on Loans and Discounts. — Meanwhile the new constitution was adopted in June, 1851, containing clauses providing that all property, personal or real, should be taxed by a uniform rule; and that laws should be passed taxing notes and bills discounted or purchased, moneys loaned, and all other property of all banks then existing or afterwards created in the state so that all property employed in banking should always bear a burden of taxation equal to that imposed on the property of individuals.¹⁹ In accordance with these clauses a law was passed April 13, 1852, requiring that all banks of issue should make returns under oath of the average amount of their notes and bills discounted or purchased, on which any profit was

¹⁵ Ohio Exec. Doc., 1851, Part I, p. 629.

¹⁶ State Auditor's Report, March 16, 1852.

¹⁷ State Bank of Ohio — Janney, p. 172. The Bankers' Magazine of July, 1853 (p. 85), stated: "The tax law of 1851 is so oppressive that several of the banks have opposed it in the courts while others have concluded to go into liquidation and place their means where the law of contracts is more strictly adhered to, and where capitalists are not looked upon as the enemies of the poor man and laborer."

¹⁸ Piqua Branch State Bank vs. Knoop, 16 Howard 369.

¹⁹ Art. 12, Secs. 2 and 3.

²⁰ Ohio Revised Statutes, 1854, p. 907.

earned;; also of the average amount of all their other moneys, effects or dues, which were loaned or otherwise used with a view to profit.²⁰ On these amounts they were then to be taxed at the same rate which individual property paid.

Refusal of Banks to Pay the Tax.—These provisions the banks considered very oppressive and unjust, claiming that they were thus taxed on three times the amount of their capital, or what individuals would pay on the same capital. Many banks refused to pay the tax and carried the matter into the courts, claiming that if they were not sustained they would have to go out of existence.²¹ Several banks actually did close, change to private banks, or withdraw part of their circulation, assigning the tax law as the reason.²² The feeling against the law was very bitter on the part of the banks. On the other hand their intense opposition, carried to the point of refusing to pay the tax, aroused strong resentment among those charged with the enforcement of the law, and the legislators, and their friends throughout the state, responsible for its existence. A report of the auditor of state February 12, 1853, said: "But few of the banks of Ohio have paid the taxes assessed against them under the provisions of the act of April 13, 1852. This delinquency is not a matter of accident, but is attended by circumstances which betray the existence of a conspiracy to trample upon and override the very authority which gave the conspirators their corporate existence."

The Crow Bar Law of 1853.—A bill to enforce the collection of the bank taxes was even then before the legislature.

²¹ *Daily Commercial Register* (Sandusky), May 27, 1852, and Feb. 12, 1853.

²² In April, 1852, the Dayton Bank, an independent bank, decided to wind up, saying that their taxes would have been \$6,000 as compared with \$1,100 the year before. About the same time the Franklin Branch Bank of Cincinnati closed as a bank and the firm of Groesbeck & Co. took its place, the view being expressed that the tax was much less on brokers than on banks. At this time, too, the Xenia Branch of the State Bank decided to withdraw 40% of its circulation (\$110,000) and retire a proportionate amount of its capital stock, claiming that the taxes assessed on the branch were three times as much as on property in other business.—*Cleveland Herald*, May 1, 7 and 8, 1852.

It was opposed by the Whigs and by some of the Democrats, especially the bankers in the party;²³ nevertheless on March 14, 1853, it became a law.²⁴ This was the famous "Crow Bar Law," so called because it provided that if the taxes assessed under the act of April 13, 1852, were not paid by December 21 of any year a penalty of 5% should be added; then if not paid within 5 days, the county treasurer should enter the vaults of the bank by force, if necessary, and seize sufficient money or other property to pay the taxes and the 5% penalty, together with a 5% poundage and all the costs of the seizure and any sale that might be necessary.

This was actually done in the case of the Commercial Bank of Cleveland, the money being seized, and marked, and placed for safe keeping in the vaults of the Cleveland Insurance Company. The banks had assigned their interest in the amount to J. G. Deshler of Buffalo, who immediately began suit by writ of replevin in the United States Court at Columbus. The United States marshal forced the vaults of the insurance company at night, obtained the marked money, and brought it into court. The law was declared unconstitutional.²⁵

In 1854 the tax law of April 13, 1852, was also declared unconstitutional so far as it related to the banks organized by the law of 1845, the United States Supreme Court holding that the fact that the Ohio constitution permitted such a tax did not release the State from its contract.²⁶

²³ Daily Commercial Register, Jan. 28, 1853.

Mr. Beckel, a prominent Democratic bank president of Dayton, was one of those active in opposition to the law.

²⁴ Ohio Laws, 51:476.

²⁵ Daily Commercial Register, March 28, 1853.

Banks and Bankers of Cleveland—Magazine of Western Hist., 2:290. Knox, p. 684.

After the Republicans again came into power in the legislature the "Crow Bar Law" was repealed by the act of Feb. 26, 1857.

²⁶ Dodge vs. Woolsey—18 Howard 331.

The Cincinnati Enquirer called the decision a blow at state sovereignty, the view having been held by the dominant party in the state that the power of taxation was an act of sovereignty which one legislature could not part with in perpetuity.—See Cincinnati Daily Enquirer, May 30, 1854, and Feb. 26, 1856.

Kelley's Bank Tax Law of 1856. — In the fall election of 1855 the Republicans were victorious and April 1 and 8, 1856, new laws were passed which provided in effect that all banks, including those organized under the law of 1845, should report their capital stock, surplus, contingent fund, and undivided profits, as the basis of taxation and be placed on the duplicate as other property of the state.²⁷ Under this system the banks were taxed for two years without any serious objection on their part.²⁸ It was asserted by some, however, that thus thousands of dollars of bank capital were exempted from taxation resulting in the decline in the amount of personal property from 297 million in 1854 and 283 million in 1855 to 263 million in 1857 and 240 million in 1858.²⁹

Vacillating Character of Rest of Period. — In the fall of 1857 the radical party made gains in the legislature and on April 12, 1858, acts, amending the laws of March 23, 1850, April 13, 1852, and April 1, 1856, were passed, which provided for assessing and taxing all property in the state according to its true value in money; and it was then provided that each bank should make an annual statement to the county auditor showing the average amount of loans and discounts, on which any profits were earned, and the average amount of all other moneys, etc., employed with a view to profit (except the average specie reserved to redeem notes and pay depositors, and also average amount of balance due from banks on which no interest was received). These amounts were then to be placed on the duplicate and taxed as other property.³⁰ Many of the drastic features of the 1853 law were re-enacted and again the independent and branch banks refused to pay the tax. They claimed that the acts taxing them in a way different from that provided in the law of 1845 impaired the obligation of a contract; and their contention was upheld by the United States Supreme Court.

²⁷ Ohio Laws, 53:51 and 216.

The latter act was known as Kelley's Bank Tax Law.

²⁸ Annual Report of State Auditor, Jan. 1, 1860, p. 16.

²⁹ Ohio Statesman, Dec. 29, 1858.

³⁰ Ohio Laws, 55:52 and 128.

These acts were repealed by the general tax law of April 5, 1859, but the method of taxing banks remained the same as provided in 1858, except that banks organized under the law of 1845 should make returns to the state auditor instead of the county auditor. Upon refusal or neglect by any bank to make the returns required, the amount was to be ascertained from the quarterly reports and 50% added to it.³¹ These banks continued to resist collection of the tax and the state had much litigation and but little revenue from them under this law.

An act of Apr. 4, 1861, however, changed the above so as to make capital stock, undivided profits, and deposits the basis on which banks should be taxed.³² This law was much more successful in its results and remained in force during the rest of the period covered in this monograph. The banks organized under the 1845 law generally accepted this plan and proceeded to pay their taxes as the new law provided, their back taxes however being paid as provided in the law of 1845. Inducement for the others to fall in line was offered early in 1862 when most of the banks in the United States, except in Ohio, Indiana, and Kentucky, had suspended owing to the war. An Ohio law was passed Jan. 16, 1862, permitting temporary suspension of specie payment by all Ohio banks, except those that refused to accept the tax law of 1861.³³

The 1861 law was repealed by that of Apr. 16, 1867, which also amended the act of Apr. 5, 1859. This law provided that real estate of the bank be taxed where located, as other property, and required that the shares of the banks stock be listed and taxed where the bank was located. The banks, however, could pay the tax on the shares and take it out of the dividends.³⁴ This plan with some modification remained in use in Ohio until the close of the century.³⁵

³¹ Ohio Laws, 56:175-218.

³² Ohio Laws, 58:59.

³³ Ohio Laws, 59:3. Exec. Doc., 1861. Vol. II, p. 251.
Bankers' Magazine, 12:961.

³⁴ Ohio Laws, 64:204.

³⁵ Taxation in Ohio — Evans, p. 48.

CHAPTER XIII.

THE BANK OF OHIO, PANIC OF 1857, AND NOTE REDEMPTION AGENCIES.

Further Decline in Banking Capital in 1855. — Notwithstanding the fact that by 1855 the Supreme Court had declared unconstitutional both the obnoxious tax laws of 1851 and 1852, which the banks organized under the law of 1845 had pronounced the great obstacle to their progress, yet the capital of the authorized banks in Ohio continued to decrease. In May 1855 another branch of the State Bank failed and was closed by the board of control;¹ while from January to November of that year the capital of the independent banks decreased \$169,340. the decrease during the year for all the authorized banks being \$675,000.² Meanwhile the influx of foreign bank notes still

Act to Incorporate the Bank of Ohio and other Banks. — In January 1856 the newly elected Republican governor, Salmon P. Chase, in his inaugural address to the legislature called attention to the failure to exclude the paper of banks from other states, adding: "Public sentiment demands an increase of banking capital, organized under our own laws, contributing in just measure, to our own revenues, and sufficient to furnish the necessary facilities for the transaction of business." He then pointed out that the constitution provided for the authorizing of new banks by the legislature, the act then to be submitted to a vote of the people and not to take effect unless approved by a majority vote.³ He also suggested the repeal or amendment of the 10% interest law, saying: "There seems to be no valid reason

¹ On May 23, 1855, the Commercial Branch of Toledo was placed under the care of the executive committee, and funds were provided to redeem its circulation and the branch closed. — State Bank of Ohio — Janney, p. 169.

² Report of Comptroller of Currency, 1876, p. CXVII.
continued.

³ Cincinnati Daily Enquirer, Jan. 15, 1856.

why the capitalists should be encouraged to demand so large a proportion of the earnings of the produce and the profits of the manufacturer and the merchant."

The latter suggestion did not result in the desired legislation, one argument advanced being that 10% interest rate tended to draw foreign capital into the state.⁴ The former recommendation, however, met with the approval of the legislature, and on April 11, 1856 it passed an act "to incorporate the Bank of Ohio and other Banks." This act was similar in its general provisions to the law of 1845.⁵ It was to be submitted to popular vote at the October election and if approved was to take effect at once and continue until 1877.

Objections to the Proposed Banking Law. — Opposition to the proposed banking law soon began to develop, however. The law contained an individual responsibility clause, a limitation of the rate of interest, and a restriction on the indebtedness of stockholders and directors. Some objected to these. Others objected to the requirements to pay out nothing but gold or silver or the notes of specie-paying Ohio banks. Still other objected to the deposits required with the state treasurer.⁶ The act also prohibited the legislature "from imposing any greater tax upon property employed in banking under this act than is or may be imposed upon the property of individuals." This clause, too, met opposition. The result was that the act was not approved by a majority of all the electors voting at the October election and failed to become a law.⁷

Governor Chase favors Free Banking. — Soon after that the Supreme Court of Ohio unanimously decided that the act to authorize free banking passed March 21, 1851, but supposed by many to have been abrogated by the new constitution adopted in June 1851, remained in full force unaffected by any provision of that instrument. So when Governor Chase delivered his next message to the legislature in January 1857, he remarked that public opinion still remained divided as to whether the privilege

⁴ Ibid., March 15, 1856.

⁵ Report of Comptroller of the Currency, 1876, p. XXVII.

⁶ Cincinnati Daily Enquirer, May 25, 1856.

⁷ Daily Ohio Statesman, Jan. 6, 1857.

of banking should be limited to a definite number of institutions or extended to all who were willing to give the required securities and guaranties against abuse; but he expressed his own preference for the most liberal extension of the privilege with such restrictions upon its exercise as would effectually protect the community against a mere paper money currency.

He then suggested to the legislature the expediency of observing the practical operation of the free banking act of 1851, and of so amending it from time to time as might be necessary to protect and secure the interests of the community, without invoking the decision of the people upon a new banking law.⁸

Another State Bank Law rejected by the Voters. — The State Bank advocates, however, were not yet willing to adopt the governor's recommendation. Two weeks later Mr. Kelley introduced into the Senate another bank bill,⁹ which soon after passed the legislature as an act "to incorporate the Bank of Ohio and Branches."¹⁰ This act was similar to that rejected by the people in 1856, but omitted the part providing for independent banks. Provision was made for submitting it to popular vote;¹¹ but when the election came off, it was found to have suffered the same fate as its predecessor of the year before. As the governor remarked in his next message, it could then properly be considered as settled that the majority of the electors did not desire the further creation of institutions of the character proposed.¹² This ended the legislative acts for a Bank of Ohio with branches. The people of the state themselves had decided in favor of the more democratic free banking system.¹³

⁸ Governor Chase's Message, Jan. 5, 1857.

⁹ Daily Ohio Statesman, Jan. 23, 1857.

¹⁰ Ohio Laws, 54:140.

¹¹ Ohio Laws, 54:78.

¹² Daily Ohio Statesman, Jan. 5, 1858.

¹³ An act of May 21, 1894, repealed the law of Feb. 24, 1845, which authorized the State Bank of Ohio and the independent banks. It also repealed the acts of Jan. 6, 1846; Feb. 24, 1848; March 8, 1850; March 22, 1851; March 14, 1859, and April 25, 1862. And Ohio today has a modified form of the free banking law of 1851. — Ohio Laws, 91:338 (1894).

Knox, p. 690.

Distribution of Ohio Banks in January 1857. — In January, 1857 there were 60 banks in Ohio, 1 old bank, 10 independent banks, 13 free banks, and 36 branches of the state bank. These were well distributed throughout the state, being located in 41 counties and 45 different towns or cities. Cleveland had 5, Cincinnati, Columbus, and Chillicothe had 3 each, five other towns had 2 each and the remaining places had but one bank apiece. As compared with 1847 Cleveland had gained one bank and Cincinnati had lost 3. The total capital of all the banks was \$5,871,822, which on the basis of the population in 1860 means a capital of \$2.51 per capita. This figure was about the same as in 1847, but the per capita figures for the different counties show greater uniformity in 1857, only one county, Ross, having as much as \$10 per capita. The distribution of banks and capital by towns and counties may readily be seen from the following table.

DISTRIBUTION OF BANKS AND CAPITAL IN OHIO, JANUARY, 1857.

Town.*	County.	Population in 1860.†	Number of Banks.‡	Capital Stock.	
				Paid in.‡	Per Capita.§
Ashtabula	Ashtabula	31,814	1	\$100,000	\$3.143
Athens	Athens	21,364	1	100,000	4.681
Bridgeport	Belmont	36,398	1	100,000	2.748
Ripley	Brown	29,958	1	120,000	4.006
Urbana	Champaign	22,698	1	26,000	1.145
Springfield	Clark	25,300	2	150,000	5.929
Salem	Columbiana	32,836	1	100,000	3.045
Cleveland	Cuyahoga	78,033	5	570,000	7.305
Delaware	Delaware	23,902	1	91,500	3.954
Sandusky	Erie	24,474	2	176,500	7.212
Columbus	Franklin	50,361	3	450,000	8.935
Lancaster	Fairfield	30,538	1	100,000	3.275
Washington	Fayette	15,935	1	100,000	6.275
Xenia	Greene	26,197	1	100,000	3.817
Cincinnati	Hamilton	216,410	3	321,872	1.487
Cadiz	Harrison	19,110	1	100,000	5.233
Logan	Hocking	17,057	1	100,000	5.863
Norwalk	Huron	29,616	1	125,000	4.221
Steubenville	Jefferson	26,115	1	100,000	7.658
Mt. Pleasant			1	100,000	
Mount Vernon	Knox	27,735	1	100,000	3.606
Painesville	Lake	15,576	1	50,000	3.210
Fronton	Lawrence	23,219	1	65,350	2.811
Elyria	Lorain	29,744	1	75,000	2.522
Toledo	Lucas	25,831	1	100,000	3.871
Youngstown	Mahoning	25,891	1	50,000	1.931
Marion	Marion	15,490	1	50,000	3.228
Troy	Miami	29,959	1	100,000	6.676
Piqua			1	10,000	
Dayton	Montgomery	52,230	2	157,000	3.006
Zanesville	Muskingum	44,416	2	200,000	4.503
Circleville	Pickaway	23,469	1	100,000	4.261
Ravenna	Portage	24,208	1	103,000	8.080
Franklin Mills			1	92,600	
Eaton	Preble	21,820	1	100,000	4.583
Mansfield	Richland	31,158	1	100,000	3.209
Chillicothe	Ross	35,071	3	400,000	11.406
Portsmouth	Scioto	24,297	1	100,000	4.116
Tiffin	Seneca	30,868	1	100,000	3.210
Canton	Stark	42,978	1	30,000	5.352
Massillon			2	200,000	
Cuyahoga Falls	Summit	27,344	1	100,000	3.657
Warren	Trumbull	30,656	1	75,000	2.447
Maricetta	Washington	36,268	1	100,000	2.757
Wooster	Wayne	32,483	1	90,000	2.771
Total for 41 counties.		1,408,860	60	\$5,871,822	\$4.156
Total for State (88 counties)		2,339,511	60	5,871,822	2.510

* For location see map p. 244.

† 12th Census Bulletin No. 41, p. 2.

‡ Banker's Mag. 11:616-17 (Feb. 1857).

§ Ratio of capital stock to population in 1860.

Industrial Progress in Ohio 1852 to 1857. — The less than 6 millions of bank capital shown in the foregoing table represent a big decline from the nearly 8 millions employed in Ohio in 1852. During the intervening years private banks and brokers had flourished, depreciated foreign paper had abounded, and trade and exchange had been subjected to much uncertainty. Nevertheless the industries of the state had been progressing in spite of the decline in authorized banking facilities, and the fluctuations of exchange rates.

In Ohio, as in other parts of the country, the years 1850-2 had been years of comparatively low prices. Then followed a gradual rise in prices until they reached a high level in 1855. Thus in Cincinnati from 1851 to 1855 the price of wheat rose from 58 cents a bushel to \$1.62, corn from 30c a bushel to 43c, flour from \$2.95 a barrel to \$8.10, whiskey from 16c a gallon to 34½c, hogs from \$4.55 a hundred to \$6.30, pork from \$12 a barrel to \$16, lard from 7c a pound to 10¾c, sugar from 5¾c a pound to 7½c, coffee from 10c a pound to 12¼c, and tallow candles from 10c a pound to 15c.¹⁴ In 1856 all these prices show a decided falling off while in 1857 they were about as low as in 1852.

It will be seen then that the increase is not merely in price, when it is stated that from 1852 to 1857 Ohio's annual export of home products increased from \$40,000,000 to \$70,000,000. This represented a surplus from a total production of agricultural, mineral, and manufactured products amounting to more than \$261,000,000 leaving over \$191,000,000 for home consumption.¹⁵

¹⁴ Report of Ohio Commissioners of Statistics, 1859, p. 96.

Industrial Depressions — Hull, pp. 145 and 146.

See Appendix, p. 519.

¹⁵ Annual Report of Commissioner of Statistics, 1857, p. 540.

Ohio Exec. Doc., 1857, Part I, No. 8, p. 351.

<i>Products of —</i>	<i>Production.</i>	<i>Exports.</i>
Mining	\$9,483,500	\$2,100,000
Agriculture	132,700,000	48,300,000
Manufacture	119,300,000	20,000,000
Total	\$261,483,500	\$70,400,000

Failure of Ohio Life Insurance and Trust Company. —

It was well for Ohio at this time that her business prosperity rested on the solid basis of her agricultural and mineral wealth and the products manufactured therefrom, rather than on the speculative foundation of the stock market. Throughout the country the rapid industrial development of the period, stimulated by new gold discoveries, expansion of paper money, excessive railroad building, etc., had been accompanied by undue speculation, and credit was strained to the danger point. A fall of stocks in the summer of 1857 caused great embarrassment to many eastern bankers and others who held call loans for which they had taken stock collateral. And on Aug. 24, the crisis was occasioned by the failure of the Ohio Life Insurance and Trust Co., with liabilities running into millions.¹⁶

This institution had enjoyed excellent credit; its home business had been well and carefully managed; and its directors as well as the public thought it sound and prosperous. Its failure was due to big speculative operations by the cashier of its New York office. The deposit balances in New York had been employed in common by the Cincinnati and New York offices, discounted upon to some extent in the West and the remainder loaned by the New York cashier under the advice of a sub-board of eastern trustees.¹⁷ Large amounts had been borrowed on call in New York and loaned on financial securities where they were not immediately available.¹⁸

The Panic of 1857. — The failure of the Life and Trust Co., precipitated a panic in New York. All the banks of that city suspended specie payment but one, the Chemical. On Sept. 12 and 13 the banks of Philadelphia, Washington, Baltimore, and

¹⁶ History of American Currency — Sumner, pp. 180 and 181.

Financial History of U. S. — Dewey, pp. 263-4.

¹⁷ Men and Measures of Half a Century — McCulloch, pp. 132-133. Bankers' Magazine, 12:240 (September, 1857).

¹⁸ Sumner, p. 181.

The president of the company reported among the causes of the failure: "*First.* In his (the cashier's) dealings with, and large advances to the Cleveland and Pittsburg Railroad Company, to aid in the completion of said road. — State Bank of Ohio — Janney, p. 171.

many interior towns suspended. Within a fortnight stocks fell 40 or 50% and 20,000 persons were thrown out of work in New York City.¹⁹ Important railroads reaching into the West became bankrupt, but the crisis was mainly financial. 150 banks were said to have failed in Pennsylvania, Maryland, Virginia, and Rhode Island.²⁰ Suspension became general except in the Ohio Valley, at New Orleans, in South Carolina, and some scattered exceptions elsewhere.²¹

Failure of Trust Company threatens State Bank of Ohio.

—In Ohio practically all the private banks were compelled to close their doors, and several of the authorized banks failed. Many of the Ohio banks had kept their New York accounts with the Ohio Life Insurance & Trust Co., and its failure seriously crippled them. Almost all the branches of the State Bank had made the Trust company their New York agent. On Feb. 2, 1857, the branches had in eastern exchange \$1,130,398, nearly all with the Trust company. These deposits of some of the branches equaled their entire capital. Fortunately two influential members of the board of control were in New York at the time of the failure, and got from the cashier a contract setting aside assets enough to meet the demands of the branches. This saved some of them from ruin.²²

Sept. 30, 1857, the board of control adopted a resolution asserting that the branches of the State Bank could and would continue specie payments, and agreed to a plan proposed by Mr. Kelley to diminish their immediate liabilities, increase their available assets, and otherwise act in concert to increase their ability to maintain specie payments.²³ And throughout this trying period the branches of the State Bank of Ohio continued

¹⁹ Sumner, pp. 182 and 183.

²⁰ Gilbert on Banking, Vol. II, p. 337.

²¹ Banking in All Nations, 1:427.

²² State Bank of Ohio — Janney, p. 170.

²³ Ibid., p. 167.

to redeem their notes;²⁴ although several of the other banks in the state had suspended.²⁵

The State Bank establishes a Note Redemption Agency.—Among other recommendations in the plan adopted by the board of control of the State Bank in September, 1857 to enable the branches to continue specie payment was one urging the branches, which had not already done so, to cooperate in the note redemption agency which had been arranged in Cincinnati by some of the branches in May, 1857. Twice before such agencies had been successfully established for a time ²⁶

The Ohio Bank Agency of 1850.—In 1850 some of the branches in conjunction with other banks in the state established an agency in Cincinnati, where on account of the course of trade the circulation of Ohio banks concentrated, with the object of checking the continual drain of specie from their vaults, and of keeping their notes equal to coin by furnishing eastern exchange for them, at all times, at about the cost of transporting coin. The arrangement provided that each associated bank should contribute in proportion to its circulation (not over 10%) in eastern exchange to be deposited with the agency as a permanent fund. The eastern funds of the agency were to be deposited in eastern banks subject to sight draft and at such rate of interest as might be agreed upon. The agency was to sell exchange at rates that

²⁴ "But only nominally," says Mr. McCulloch, who adds: "Its capital was locked up in the Ohio Life and Trust Company, and it was so crippled by the failure of that bank that even the brokers forebore to return its notes."—*Men and Measures of Half a Century*—McCulloch, p. 133.

²⁵ *Banking in All Nations*, 1:442.

Daily Ohio Statesman, Oct. 30, 1857 and Jan. 5, 1858.

The following interesting quotation is from the Crawford County Forum. Similar accounts can be found in the Darke County Democrat, Cleveland Plain Dealer and other Ohio papers of the time.

Many Ohio banks are "resisting specie payments by the interposition of hired mobs. Within the last month citizens have been driven from the banks and threatened with personal violence in Mansfield, Springfield, Marietta, Xenia and Piqua, for daring to ask specie for notes on these banks."—See Daily Ohio Statesman, Nov. 10 and 19, 1857.

²⁶ *Bankers' Magazine*, 12:943.

would prevent the shipment of specie to the East, receiving notes of specie paying banks. These notes would then be assorted and reported to each bank, which was at once to send the amount to the eastern deposit bank of the agency to the credit of the agency, and send a duplicate check to the agency. The bank's notes would then be subjected to the order of the bank.

Notes of banks not members of the association when received were to be returned for redemption, or otherwise disposed of as might best promote the objects of the agency. When a member should refuse to settle as above, or a non-member refuse to redeem its notes, all the associated banks were to furnish the agency with notes of the refusing bank and receive therefor coin or exchange, when collected, paying the agency only the cost of converting and transporting the same.²⁷

The Opportunity for a Redeeming Agency. — The board of control of the state bank after considering the matter at various times finally decided that the arrangement was prejudicial to the interests of a large portion of the branches, and it was discontinued.²⁸ It was felt by some familiar with currency conditions in the state, however, and especially during the great increase of depreciated paper after 1852 that some such arrangement should be resumed, that the Ohio Valley banks might keep their notes nearly at par by using the large balances which they usually had in New York for their redemption, and thus extend their circulation by the facility with which they could be converted into bankable funds. The rate of exchange on New York was rarely above $\frac{1}{2}\%$, and was often down to par.²⁹

The Agencies of 1854 and 1857. — In May 1854 the scheme was renewed by the branches of the State Bank. A fund was raised and placed in the Mechanics' and Traders' branch at Cincinnati for the purpose of returning to the proper bank and converting into eastern exchange all notes that were depreciated below those of the State Bank. The Mechanics' and Traders' branch failed in November of that year, however, and again the

²⁷ Cincinnati Price Current, Dec. 12 and 25, 1849.

Hunt's Merchants' Magazine, 22:125 and 126.

²⁸ State Bank of Ohio — Janney, p. 172.

²⁹ Banks and Banking in the U. S. — Baker, p. 35.

agency was closed.³⁰ May 20, 1857 a similar arrangement was made with Kenney, Espy, and Company, a Cincinnati banking house, for the special purpose of returning the notes of Kentucky, Indiana, and Virginia banks. The agency was to furnish New York exchange at $\frac{3}{8}\%$ premium for the notes of the banks named, which were to be forwarded to it by the branches of the State Bank. It was agreed that the agency should not pay out the notes of these foreign banks. This arrangement lasted until May 19, 1858, when a final attempt was made and a more extensive agency established.³¹

Agitation for an Ohio Valley Clearing House. — Speculation had so controlled the rate of exchange between the East and the West that the feeling had become pretty widespread that the establishment in Cincinnati of some sort of clearing house for the banks of Ohio, Indiana, and Kentucky would result in substantial benefits to the sound banks and give additional protection to the business community. Governor Chase recommended it in his message in January 1858;³² the Cincinnati Chamber of Commerce indorsed it in April;³³ and in June a convention of Ohio, Indiana, and Kentucky bankers met in Cincinnati and proposed a plan, which the branches of the State Bank of Ohio under took to put into operation. This movement was stopped, however, by the discovery of legal difficulty in the way of locating the agency of a foreign bank in Ohio.

The Brokers' Assorting System. — It was believed, however, that the Indiana banks and some of those in Kentucky would cooperate if the Ohio banks went ahead with the scheme. Cincinnati was then the monetary center of the West. There was an annual demand there for exchange, chiefly on eastern cities, amounting to 60 or 70 million dollars. Providing these exchanges had brought into existence an extensive broker's assorting system, which furnished exchange to the merchant often

³⁰ State Bank of Ohio — Janney, p. 172.

³¹ State Bank of Ohio — Janney, p. 172.
Cincinnati Gazette, June 5, 1857.

³² Daily Ohio Statesman, Jan. 5, 1858.

³³ Bankers' Magazine, June, 1858.

at exorbitant rates though sometimes he could hardly have procured it without the broker's help.

Although this system obtained its capital chiefly from the deposits of merchants and manufacturers, it was really antagonistic to their interests since it constantly sought the highest possible premium of exchange, that being the source of its profits. These high charges had even forced some of the larger mercantile houses into competition with the brokers for their own special supplies.³⁴ Hence the merchants as well as the bankers were anxious for the proposed agency.

The Bank of the Ohio Valley. — The plan seemed more likely to succeed than ever before not only from the general demand but also on account of the better means of communication throughout the country. In 1856 railroad building had increased to 3,642 miles mostly in the western states,³⁵ and Ohio in 1857 had 2,834 miles of railroad, which had been built at a cost of \$95,000,000.³⁶ Another favorable factor was the low rate of exchange which promised to continue. Accordingly with good prospects of success a bank somewhat on the plan of the Suffolk Bank of Boston was organized in Cincinnati under the free banking law of 1851, and a contract was made with the State Bank of Ohio by which its branches were to deposit with the new bank an amount equal to 4% of their authorized circulation, free of exchange interest, and the latter was to sell eastern exchange at a rate not to exceed $\frac{1}{2}\%$ premium.

This new redemption agency was known as the Bank of the Ohio Valley. It began business in September 1858 with a capital stock of \$51,000, of which \$34,000 was paid in. It soon after increased its capital stock to \$500,000, of which \$300,000 was to be offered in Cincinnati and \$150,000 in New York and other eastern cities. By March 1859 it already had a special deposit of \$306,000 from associate banks in Ohio, had sold \$3,300,000 eastern exchange, and had returned \$2,700,000 bank

³⁴ Magazine of Western History, 2:168.

Bankers' Magazine, 12:943.

³⁵ History of American Currency — Sumner, p. 180.

³⁶ Report of Commissioner of Statistics, 1857, p. 540.

³⁷ Banking in All Nations, 1:443.

notes for redemption, besides having current deposits of \$440,000. Its managers felt confident that its exchange business would pay its expenses, and that its discount line would give good dividends to its stockholders.³⁸

The Bank of the Ohio Valley continued to act as redeeming agency for the State Bank of Ohio until Nov. 20, 1861 at which time foreign notes, except those of the Bank of the State of Indiana, were no longer current in Ohio.³⁹ The Bank of the Ohio Valley was a very successful institution. Its success was due to good management and strict adherence to sound financial principles. It never charged exorbitant rates, yet at the close of this period its five years of operation showed regular dividends of 10% a year and an extra dividend of 5% declared Nov 2, 1863. Its financial statement for Nov. 3, 1863 showed a capital stock of \$500,000, undivided profits of \$150,000, circulation \$47,000, and deposits \$2,044,945, a total of means available for business of \$2,746,563, of which \$1,708,556 were interest paying investments.⁴⁰

³⁸ Bankers' Magazine, 13:746 (March, 1859).

³⁹ State Bank of Ohio — Janney, p. 172.

⁴⁰ Cincinnati Daily Gazette, Nov. 4, 1863.

See Appendix, p. 523.

A clearing house association was formed in Cleveland, Dec. 28, 1858, "to effect at one place, and in the most economical and safe manner, the daily exchange between the several associated banks and bankers, the maintenance of uniform rates for eastern exchange, and the regulation of what descriptions of funds shall be paid and received in the settlement of business." The subscribers numbered one branch bank, one independent bank, one free bank, and six private banks. — Banks & Bankers of Cleveland, in Magazine of Western History, 2:285.

CHAPTER XIV.

CONCLUSION.

Majority of Ohio Banks survive the Panic. — It is highly creditable to the management of the banks of Ohio organized under the general laws of 1845 and 1851 that they passed through the crisis of 1857, made extra difficult to many of them by the loss of their eastern balances through the failure of the Trust Company, without a general suspension of specie payments. Such general suspension was imminent at times, and some of the banks were actually in a state of legal and others in a condition of virtual suspension. To quote from Governor Chase's message of Jan. 4, 1858, Ohio's "banking institutions, with a very few temporary exceptions, have performed their entire duty of specie payments, without evasion and without delay."¹

A list of suspended, depreciated, and discontinued banks in Ohio published in October 1857 contains but seven authorized banks, five independent, and two free banks.² Of these at least two had failed long before the panic occurred,³ and two others had been among those reported in 1854 as not in active business. In fact most of the financial trouble in Ohio in 1857 had originated not in authorized banks of issue, but in the failures of private bankers and of the Trust Company.⁴ The failure of the Ohio Life Insurance and Trust Company in 1857 removed the last representative of the old banks organized under special charters, with no security for their circulation except their general assets.

¹ Ohio Exec. Doc., 1857, Part I, p. 347.

² Daily Ohio Statesman, Oct. 30, 1857.

³ Of these two, the Canal Bank of Cleveland had failed in November, 1854, and the Seneca County Bank had failed March 1, 1857. — Ohio Laws, 57:126 and 61:152.

⁴ The Ohio Life Ins. & Trust Co.'s power to issue notes had terminated Jan. 1, 1843.

Many Ohio Banks become National Banks after 1863.—Of the three classes of banks remaining in the state in 1858 all were organized under general laws. Of the free banks organized under the law of 1851, some are still in existence, as Ohio still has a modified form of that banking law. The branches of the State Bank and the independent banks, however, were organized under the law of 1845, which gave them existence only for 20 years. Consequently when the Civil War broke out and the National Bank Act was passed many of them took advantage of the opportunity and became National banks. Of the first ten National banks organized in 1863, six were in Ohio.⁵ By December 31 of that year there were forty fully organized national banks in the state with a capital of \$5,448,200. The next year the number in Ohio increased to 82, with a capital of \$9,772,000; while in 1865 there were 134 with a capital of \$21,146,000.⁶

End of Period of Note-Issue under General Ohio Laws.—In November 1861 there were still in operation in Ohio seven independent banks, twelve free banks, and thirty-six branches of the State Bank. By August 1863 two of the independent and two of the free banks had disappeared, leaving but fifty-one in the state with a capital of \$5,177,500 and a circulation of \$6,915,576. The notes of these banks had to compete with the new National bank notes and the greenbacks, or notes of the federal government. They held their own, however, until the federal tax of 10% upon the issues of state banks early in 1865 forced the retiring of the circulation of all state banks.

This together with the expiration of the charter of the State Bank closed another period in Ohio's banking history, that of state banks organized under general laws and issuing

⁵ Two in Cleveland, two in Dayton, one in Fremont, and one in Youngstown.—*Bankers' Magazine*, 18:84 (July, 1863).

⁶ Seventh Annual Report Commissioner of Statistics of Ohio, p. 631. Knox, p. 685.

At the beginning of 1864 there were approximately 200 banks in Ohio with over \$12,000,000 capital. Half of these were private banks (27 in Hamilton County) with a capital of \$2,019,336.—Report of Commissioner of Statistics, Feb. 5, 1864. [The commissioner considered that the business of the banks was conducted with great prudence, and observed: "We find no fictitious banks and no spurious notes."]

notes secured by a safety fund or deposit of government bonds. Henceforth note-issue ceased to be a function of banks organized under state laws.

Classes of Ohio Banks under General Laws. — The banks organized under the general laws of 1845 and 1851 were attended by a high degree of success, and furnished a currency well adapted to the business wants of the people. Both of these laws were constructed with particular reference to the security of the bill holder; and both accomplished their purpose in this regard. A comparison of the provisions of these laws as to the three classes of banks, which they authorized, shows that some features were common to all three classes: such as those forbidding any bank directly or indirectly pledging, hypothecating, or exchanging any of its circulating notes to procure money to be paid on its capital stock, or to be used in its ordinary banking operations; and providing criminal punishment for any officer thereof who might embezzle or wilfully misapply any of the bank's moneys, funds, or credits.

The independent and free banks were also each prohibited from pledging, hypothecating, or exchanging any of their circulating notes for the purpose of purchasing stocks to be deposited with the treasurer or auditor of state; and they were alike in each having to deposit, as security for the ultimate redemption of their notes, state or United States stocks equal in amount to the notes they wished to issue. They differed, however, in that the independent banks had to pay in but 30% of their capital before they were allowed to begin business, while the free banks were required to pay in 60% of their capital before receiving a certificate to do business.

No special provision was made for the security of depositors or purchasers of bills of exchange in any one of the three classes, the legislature doubtless supposing that voluntary creditors could take care of themselves, and that the law should mainly look to the protection of the involuntary creditors of a bank, that is, the note holders. All were required to furnish quarterly reports of their condition, however, and all were subject to an-

nual examinations; the branches of the State Bank by the board of control, and the other two classes by special examiners appointed by the state officials.

Division of Banks according to Security for Note Issue.

—As to the security of note holders, the three classes of banks in the state naturally fall into two groups: those whose notes were secured by a deposit of state or federal bonds, namely, the independent and the free banks; and those with note issue secured by the safety fund plan, that is, the branches of the State Bank. Of these there was a general notion in the early 50's that the notes of the stock banks were more secure from loss than those of the branches of the State Bank. The independent banks had to pay in as much cash capital as the branch banks, and had besides to deposit with the state treasurer state or federal stocks equal in amount, at not less than their par value, to the notes issued; and the free banks had to pay in, to make up their capital, double the proportion in cash, that was required of the branches, and in addition had to deposit with the state auditor state or federal stocks equal in amount at not less than their par value, to their circulation. And if the stocks deposited by either class fell below their par value, the officers holding them were required to retain the interest accruing thereon, sufficient to keep the depreciated stocks equal to par.

Objection to the Safety Fund Security.—On the other hand the failure of any one branch of the State Bank would weaken all, and if all should go by the board there would be no ultimate security for the note holders to rely on. Besides, the safety fund plan was open to the objection that it created a fund sufficient to give credit to a bank which might be created purely for speculative purposes, and being owned by persons in other states after their notes were fairly in circulation the capital might be withdrawn, the bank declared insolvent, and the community defrauded. In the State Bank of Ohio this was taken care of by the board of bank commissioners who carefully considered the application of each association before granting a certificate.

Another objection to a safety fund sometimes offered is that, although the fund might be nominally large enough to cover the amount of notes of an insolvent bank, it is usually made up of bonds and mortgages, which are not immediately convertible and the delay in redeeming the circulation causes an immediate depreciation, and occasions a loss to such unfortunate holders as cannot wait for the ultimate redemption. This, it might be said, however, applies with equal force to the plan for securing the notes of the Ohio stock banks. While, as a matter of fact it does not apply to the State Bank at all, as will appear on further consideration.

Comparison of State Bank of Ohio with that of Indiana.

—The State Bank of Ohio is sometimes referred to as patterned after the State Bank of Indiana. This is not strictly true. The Indiana Bank was partly owned and officered by the state. The Ohio Bank was owned and operated entirely by private individuals. In both actual banking business was carried on entirely by the branches, the central board merely supervising, examining, and controlling. In the Indiana Bank, however, each branch was liable for the debts of every other branch. They were independent of each other as to assets, but were united as to liabilities. In the Ohio plan, however, the branches were responsible for each other only as to note issue, and here they were protected by the safety fund. This brings us to the resemblance of the Ohio plan to that of the New York Safety Fund Banks.

Comparison of State Bank of Ohio with New York Safety Fund System. —The State Bank of Ohio, while resembling the New York Safety Fund system in some respects, differed from it in certain important particulars. In the New York plan each bank contributed to the safety fund in proportion to its *capital*. Now as the circulation of the smaller banks was usually larger in proportion to their capital, this meant that the larger banks were unduly burdened to guarantee the notes of the weak ones. In the Ohio plan, this objection was obviated as each branch contributed to the safety fund in proportion to its *circulation*. Again in the original New York system the safety

fund was a guaranty for both notes and deposits of an insolvent bank; in the State Bank of Ohio the safety fund was used only as against the notes of the failing bank. This brings us again to the above mentioned argument as to the holders of small amounts of the circulation of a failing bank losing while awaiting the conversion of the safety fund assets before any ultimate redemption of the notes.

This was one of the defects in the New York safety fund system: depreciation of the assets composing the safety fund, and delay in ultimate redemption. In the State Bank of Ohio the safety fund was not, as in the New York plan, held as a fund for the protection of the noteholder, but for the benefit of the branches themselves. The safety fund, so to speak, by which the noteholder was protected consisted of the entire capital, assets, or means, of all the branches; and it was the duty of the manager, in case of the insolvency of any one branch, to make immediate provision for the payment of the notes of such, in coin, by requisition upon all the solvent branches.⁷

Thus when the Commercial Branch failed in 1855, the \$1,633,000 specie, and the \$1,446,000 eastern deposits, (to say nothing of the rest of the \$15,960,000 resources) of the branches were at once liable for the redemption of the notes of the insolvent branch. The safety fund was held solely as a fund from which the branches themselves were reimbursed for contributions in aid of a branch that had failed.

But this was not the only means of sustaining the credit of a failed branch's circulation. Each branch was required to receive the issues of such failing bank, in payment of all debts, at their par value. This prevented their depreciation, as they were current in any part of the state for this purpose alone. It was through the operation of these two influences that the principle of immediate availability, as distinguished from that of ultimate

⁷ The penalty upon the branch for failure to redeem its notes consisted in a summary winding up by the board of control.

security, was attained, whereby this system was distinguished from all others.⁸

Comparison of State Bank with Stock Banks. — In this respect the State Bank of Ohio was superior to the stock banks of the state, the latter depending upon the principle of ultimate security. The notes of the insolvent stock banks in Ohio were all redeemed, sooner or later, as the sale of the deposit stocks usually brought enough to redeem the notes of the failed bank, and sometimes more. Thus when the Canal Bank of Cleveland failed the sale of its deposited stocks brought in \$10,000 more than the amount of its outstanding notes, this \$10,000 then going to the depositors.⁹ But this sale occurred in February 1855, three months after the failure. Thus some of the note holders may have lost money by the delay. Then, too, any unusual strain might have depreciated the value of the deposited stocks. Ohio 6% stocks went down to 95 in New York in November 1854 as a result of the failure of several Ohio stock banks that year.¹⁰

Another point of superiority of the State Bank was that under the guidance of the board of control the branches worked in harmony, while among the stock banks there was no concert of action, no unity of interest. As to general security of depositors there was not so much difference, the advantage being, if any—

⁸ During the period covered by the State Bank of Ohio, six of its branches got into difficulty. As early as Dec. 22, 1845, the executive committee of the board of control, learning that the Toledo and the Summit County Branches had illegal arrangements with certain private bankers in New York, placed them under close surveillance until Nov. 22, 1850, when the stock of the Summit County Branch was transferred to other parties. In 1854 the Akron Branch was found to be unsound and the Mechanics' and Traders' Branch at Cincinnati was reported to have suspended; both were wound up by the board of control. On May 23, 1855, the Commercial Branch of Toledo was taken under the care of the executive committee. Funds were provided to redeem its notes and the branch was closed. The notes of all these, however, as those of the Licking County Branch, which was closed in May, 1852, continued to pass at par and were redeemed as promptly as those of the most thoroughly solvent bank.—The State Bank of Ohio—? J. Janney, p. 169.

⁹ Bankers' Magazine, 8:659.

¹⁰ Daily Enquirer (Cincinnati), Nov. 24, 1854.

thing however, on the side of the State Bank, especially if we consider the percentage of failures throughout the period. As to elasticity, the data is not very satisfactory but what there is favors the State Bank.¹¹

In conclusion, then, it may be said that the State Bank of Ohio gave the very highest satisfaction, and as a system adapted to the needs of the people at the time, was probably one of the best in the country.

¹¹ The ratio of circulation to capital for the branches of the State Bank constantly ranged considerably higher than that of the stock banks. — See diagram, Appendix, p. 526.

APPENDIX
TO
BANKING AND CURRENCY IN OHIO
BEFORE THE CIVIL WAR.

(485)

QUOTATIONS OF OHIO BANK NOTES

AT PHILADELPHIA 1814 TO 1837 AND AT NEW YORK, 1835 TO 1838,

also

QUOTATIONS OF SPANISH DOLLARS

AT PHILADELPHIA 1814 TO 1831 AND AT NEW YORK 1832 TO 1838.¹

Date.	Ohio Banks.		Spanish Dollars. ²
	Old — Chartered.	Others — New and Unchartered.	
1814, Oct. 31..	.....	.....	7 to 9 p. ³
Nov 7..	4 to 7½ d.....	.....	6 to 7½ p.
Nov. 14..	4 to 5 d.....	.....	10 to 12 p.
Dec. 5..	4 to 5 d.....	.....	12 p.
1815, Jan. 2..	6 to 7 d.....	.....
Apr. 3..	3½ to 5 d.....	.....
June 5..	3½ to 4 d.....	.....	11½ to 12 p.
July 3..	3 d.....	.....	15 p.
Sept. 4..	5½ d.....	.....	15 p.
Sept. 18..	.....	.....	17½ p.
Dec 4..	8 to 10 d.....	.....	16 p.
1816, Jan. 1..	8 to 10 d.....	.....	16 p.
Apr. 1..	.....	.....	15 to 16 p.
May 13..	.....	.....	16 p.
July 1..	.....	.....	18 to 18½ p.
Sept. 9..	.....	.....	10 p.
Oct. 21..	.....	.....	7 p.
Nov. 4..	.....	.....	7 to 8 p.
Dec. 2..	10 to 12 d.....	.....	7 p.
1817, Jan. 6..	12 to 15 d.....	.....	5 p.
Apr. 7..	6 d.....	10 to 12 d.....	
July 7..	5 to 10 d.....	10 to 25 d.....	1 p.
Oct. 6..	4 to 6 d.....	New 8 d. Unchartered no sales	1 p.
Dec. 1..	4½ to 7 d.....	New 8 d. Unchartered no sales	1 to 1½ d.
1818, Jan. 5..	4½ to 5 d.....	No purchases	1 p.
Apr. 6..	4½ to 7 d.....	No purchases	3 p.
July 6..	6 to 7 d.....	No purchases	3½ p.
Oct. 5..	4½ to 10 d.....	No purchases	5 p.
Dec. 7..	10 to 12½ d.....	No purchases	4 p.
1819, Missing..			

¹ Compiled from Elliot's Funding System, pp. 1106 to 1152.

² The Spanish dollars were not all of the same weight. Those in circulation in 1829 were said by the director of the mint to be worth, on an average, 100 cents, 3 mills. (p. 1104).

³ Quotations for Gold and Silver, 1814; Span. Gold and Silver, 1815; and Spanish Silver, 1816.

QUOTATION OF BANK NOTES AND SPANISH DOLLARS AT
PHILADELPHIA — Continued.

Date.	Ohio Bank Notes.	Spanish Dollars.
1820, Jan. 3.....	15 to 25 d.....	$\frac{1}{2}$ p.
Apr. 3.....	14 to 25 d.....	par.
July 3.....	15 to 25 d.....	par.
Oct. 2.....	12 $\frac{1}{2}$ to 25 d.....	par.
Dec. 4.....	12 $\frac{1}{2}$ to 25 d.....	par.
1821, Jan. 1.....	5 to 12 $\frac{1}{2}$ d.....	par.
Apr. 2.....	5 to 12 $\frac{1}{2}$ d.....	par.
July 2.....	5 to 10 d.....	par.
Oct. 1.....	5 to 8 d.....	par.
Dec. 3.....	5 to 8 d.....	par.
1822, Jan. 7.....	5 to 8 d.....	1 p.
Apr. 1.....	8 d.....	2 p.
July 1.....	6 d.....	par.
Oct. 7.....	6 d.....	$\frac{1}{2}$ p.
Dec. 2.....	6 d.....	$\frac{1}{2}$ p.
1823, Jan. 6.....	6 d.....	par.
Apr. 7.....	6 d.....	$\frac{1}{2}$ p.
July 7.....	6 d.....	$\frac{1}{2}$ p.
Oct. 6.....	5 to 6 d.....	par.
Dec. 1.....	5 to 6 d.....	par.
1824, Jan. 5.....	5 to 6 d.....	par.
Apr. 5.....	5 to 6 d.....	$\frac{1}{2}$ p.
July 5.....	5 to 6 d.....	$\frac{1}{2}$ p.
Oct. 4.....	5 to 6 d.....	$\frac{1}{2}$ p.
Dec. 6.....	5 to 6 d.....	$\frac{1}{2}$ p.
1825, Jan. 1.....	5 to 6 d.....	
Apr. 4.....	5 to 6 d.....	May 25, 2 p.
July 4.....	5 to 8 d.....	1 p.
Oct. 1.....	5 to 8 d.....	1 $\frac{1}{2}$ p.
Dec. 3.....	5 to 8 d.....	par.
1826, Jan. 7.....	5 to 8 d.....	par.
Apr. 1.....	5 d.....	$\frac{1}{2}$ p.
July 1.....	5 d.....	$\frac{1}{2}$ p.
Oct. 7.....	4 to 6 d.....	$\frac{1}{2}$ p.
Dec. 30.....	4 to 6 d.....	$\frac{1}{2}$ p.
1827, Jan. 6.....	4 d. ^a	par.
Apr. 7.....	4 d.....	1 p.
July 7.....	4 to 6 d.....	par to 1 p.
Oct. 6.....	4 to 6 d.....	par.
Dec. 1.....	4 to 6 d.....	$\frac{1}{2}$ p.

^a Banks of Zanesville, New Lisbon, West Union, 50d. Miami Exporting Co., Cincinnati, 80d. Lebanon, 75d. Urbana, 80d. Canton, 20d. Cleveland, 75d. Dayton, 25d; all without variation to 20th May; afterwards no sale. Muskingum, 25d, throughout the year.

^b Miami Exporting Co., Lebanon, Urbana, Zanesville Canal Co., Cleveland, New Lisbon, West Union and Canton, no sales. Muskingum, 25d, throughout year.

^c Dayton Bank, 10d, in Jan. and 6d, rest of year. St. Clairsville, 6d, June-December.

QUOTATIONS OF BANK NOTES AND SPANISH DOLLARS AT
PHILADELPHIA — Continued.

Date.	Ohio Bank Notes.	Spanish Dollars.
1828, Jan. 5.....	4 d.	$\frac{1}{2}$ p.
Apr. 5.....	4 d.	$\frac{1}{2}$ p.
July 5.....	$3\frac{1}{2}$ d.	$\frac{1}{2}$ p.
Oct. 4.....	$3\frac{1}{2}$ d.	$\frac{1}{2}$ p.
Dec. 6.....	4 d.	$\frac{1}{2}$ p.
1829, Jan. 3.....	$3\frac{1}{2}$ d.	par to $\frac{1}{2}$ p.
Apr. 4.....	3 d.	par to $\frac{1}{2}$ p.
July 2.....	$2\frac{1}{2}$ to 3 d.	par to $\frac{1}{2}$ p.
Oct. 3.....	$2\frac{1}{2}$ to 3 d.	par to $\frac{1}{2}$ p.
Dec. 5.....	$2\frac{1}{2}$ to 3 d.	par to $\frac{1}{2}$ p.
1830, Jan. 2.....	$2\frac{1}{2}$ to 3 d.	par to $\frac{1}{2}$ p.
⁷ Apr. 3.....	$2\frac{1}{2}$ d.	par to $\frac{1}{2}$ p.
July 3.....	$2\frac{1}{2}$ d.	par to $\frac{1}{2}$ p.
Oct. 2.....	$2\frac{1}{2}$ d.	par to $\frac{1}{2}$ p.
Dec. 3.....	$2\frac{1}{2}$ d.	par to $\frac{1}{2}$ p.
1831, Jan. 1.....	$1\frac{1}{2}$ d.	par.
⁸ Apr. 1.....	$1\frac{1}{2}$ d.	par.
July 1.....	$1\frac{1}{2}$ d.	par.
Oct. 1.....	.....	par to $\frac{1}{2}$ p.
Dec. 7.....	$1\frac{1}{2}$ to 3 d.	Dec. 2, $\frac{1}{2}$ to 1 p.
1832, Jan. 4.....	$1\frac{1}{2}$ to 3 d.	1 to $1\frac{1}{2}$ p.
⁹ Apr. 11.....	$1\frac{1}{2}$ to 3 d.	Apr. 4, $1\frac{1}{2}$ to 2 p.
July 4.....	$1\frac{1}{2}$ to 3 d.	$1\frac{1}{2}$ p.
Oct. 10.....	$1\frac{1}{2}$ to 3 d.	Oct. 3, 2 p.
Dec. 1.....	$1\frac{1}{2}$ to 3 d.	$1\frac{1}{2}$ to 2 p.
1833, Jan. 3.....	$1\frac{1}{2}$ to 3 d.	Jan. 2, $1\frac{1}{2}$ to 2 p.
Apr. 2.....	$1\frac{1}{2}$ to 3 d.	Apr. 3, $2\frac{1}{2}$ to $2\frac{1}{2}$ p.
July 3.....	$1\frac{1}{2}$ to 3 d.	$\frac{1}{2}$ to 1 p.
Oct. 1.....	$1\frac{1}{2}$ to 3 d.	Oct. 2, $2\frac{1}{2}$ to 3 p.
Dec. 17.....	$1\frac{1}{2}$ to 3 d.	Dec. 4, 2 p.
1834, Jan. 4.....	2 to 3 d.	Jan. 2, 1 to 2 p.
Apr. 5.....	2 to 4 d. ....	.....
July 5.....	2 to 4 d.	July 2, $\frac{1}{2}$ to 1 p.
Oct. 4.....	$2\frac{1}{2}$ to 4 d.	October 1, $1\frac{1}{2}$ to $2\frac{1}{2}$ p
Dec. 6.....	$2\frac{1}{2}$ to 4 d.	Dec. 3, 1 to 2 p.

⁷ Scioto, 5d. Farmers' Bank of Canton, 4 to 6d.

⁸ Bank of Cincinnati, Hamilton, Mansfield, West Union, Xenia, New Salem, Cleveland, F. & M. of Chillicothe, F. & M. of Cincinnati, German Bank of Wooster, Granville, Lebanon and Miami, Miami Exp. Co., Muskingum, New Philadelphia, Owl Creek, Steubenville, Ohio State Bank, Cincinnati, Zanesville C. & M. Co.—Broken.

⁹ Bank of Scioto, Dec. 7 (1831), 5 to 8d. Jan. 4 and April 11, 3d. July 4, Oct. 10, December 1, 10d.

QUOTATIONS OF BANK NOTES AND SPANISH DOLLARS AT
PHILADELPHIA — Concluded.

Date.	Ohio Bank Notes.	Spanish Dollars.
1835, Jan. 17.....	2½ to 3 d.....	Jan. 7, 1 to 2 p.
Apr. 2.....	2½ to 3 d.....	April 1, 1 to 2 p.
July 4.....	2½ to 3 d.....	July 1, 2½ to 3½ p.
Oct. 3.....	2½ to 3 d.....	Oct. 7, 3 to 4 p.
Dec. 5.....	2½ to 3 d.....	Dec. 2, 4 to 5 p.
1836, Jan. 2.....	2 to 2½ d.....	2½ to 3 p.
May 14.....	2½ d.....	May 5, 3 to 4 p.
July 16.....	2½ to 3 d.....	July 2, 3 to 4 p.
Oct. 15.....	3 to 4 d.....	Oct. 1, 4 to 5 p.
Dec. 3.....	3 to 4 d.....	5 to 6 p.
1837, Jan. 31.....	3 to 4 d.....	Jan. 4, 4 to 5 p.
Apr. 1.....	3 to 4 d.....	2 to 4 p.
July 1.....	4 to 5 d.....	13 to 15 p.
Oct. 7.....	4½ to 5 d.....	Oct. 4, 6 to 7 p.
Dec. 9.....	4 d.....	Dec. 2, 7 to 8½ p.
1838, Jan. 3.....	.....	5 to 6 p.
Jan. 10.....	.....	5 to 6 p.
Jan. 20.....	.....	5 to 6 p.
Jan. 27.....	.....	5 to 6 p.

Date.	Ohio Bank Notes at New York.	Date.	Ohio Bank Notes at New York.
1835, Jan. 7...	1½ to 4 d.	July 1...	
Apr. 1...	1½ to 4 d.	Sept. 2...	4 to 8 d.
July 1...	1 to 3 d.	Nov. 1...	6 d.
Oct. 7...	1 to 3 d.	Dec. 2...	6 d.
Dec. 2...	1 to 3 d.	1838, Jan. 3...	6 d.
1836, Jan. 2...	1½ to 3 d.	¹⁰ Jan. 7...	6 d.
Apr. 6...	1½ to 3 d.	Jan. 10...	6 d.
July 2...	1½ to 4 d.	Jan. 13...	6 d.
Oct. 1...	1½ to 5 d.	Jan. 17...	6 d.
Dec. 3...	1½ to 5 d.	Jan. 20...	6 d.
1837, Jan. 4...	4 to 5 d.	Jan. 24...	6 d.
Apr. 1...	4 to 5 d.	Jan. 27...	6 d.

¹⁰ Bank of West Union, 10d.

TABLE SHOWING THE HIGHEST AND LOWEST PRICES OF OHIO BANK NOTES AND SPANISH DOLLARS AT PHILADELPHIA, IN EACH YEAR, FROM OCTOBER, 1814, TO DECEMBER, 1823.¹¹

<i>Date.</i>	<i>Ohio Notes.</i>	<i>Spanish Dollars.</i>
1814	7½ to 5 d.	.....
1815	7 to 3@10 d.	8 to 10 p.
1816	5 to 12 d.	18½ to 7 p.
1817	15 to 4 d.	5 p. to par @ 1½ p.
1818	4½ to 12½ d.	1 to 6 p.
1819 .....	.. to 15@30 d.	3 to 6 @ ½ p.
1820	12½ to 25 d.	½ p. to par.
1821	5 to 12½ d.	par.
1822	5 to 8@6 d.	2 p. to par.
1823	6 to 5 d.	par to ½ p.

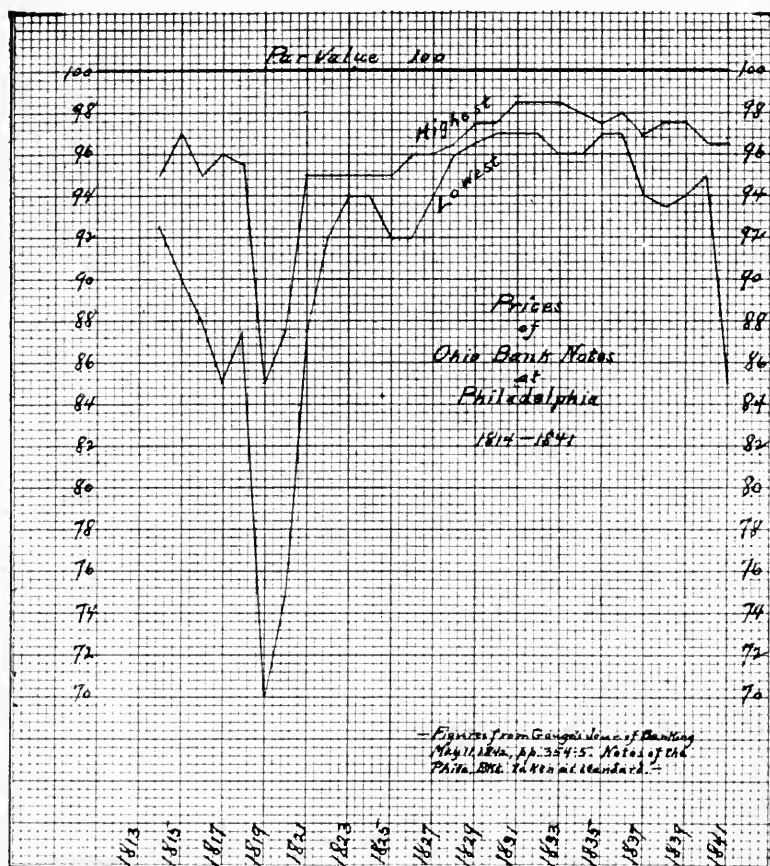
SAME FROM 1834 TO APRIL, 1838.

1834	2 to 4 d.	par to 3 p.
1835	2½ to 3 d.	.....
1836	2 to 3 d.	1 to 4 p.
1837	3 to 6 d.	1 to 13 p.
1838	4 to 7 d.	4 to 7 p.

SAME AT NEW YORK FROM 1835 TO 1838.

1835	1 to 3 d.	1 to 5 p.
1836	1½ to 5 d.	2½ to 6 p.
1837	4 to 10@6 d.	2 to 15 p.
1838	6 to 10 d.	1 to 7 p.

¹¹ Compiled from Elliot's Funding System, pp. 1158, 1159.



RECEIPTS FROM SALES OF PUBLIC LANDS OF THE UNITED STATES.

Prior to June 30, 1796 — \$1,201,725.68.

<i>Year.</i>	<i>Amount.</i>	<i>Year.</i>	<i>Amount.</i>
1796	\$4,836 13	1819	3,274,422 78
1797	83,540 60	1820	1,635,871 61
1798	11,963 11	1821	1,212,966 46
1799 .....	.....	1822	1,803,581 54
1800	443 75	1823	916,523 10
1801	167,726 06	1824	984,418 15
1802	188,628 92	1825	1,216,090 56
1803	165,675 69	1826	1,393 785 09
1804	487,526 79	1827	1,495,845 26
1805	540,193 80	1828	1,018,308 75
1806	765,245 73	1829	1,517,175 13
1807	466,163 27	1830	2,329,356 14
1808	647,939 06	1831	3,210 815 48
1809	442,252 33	1832	2,623,381 03
1810	696,548 82	1833	3,967,682 55
1811	1,040,237 53	1834	4,857,600 69
1812	710,427 78	1835	14,757,600 75
1813	835,655 14	1836	24,877,179 86
1814	1,135,971 09	1837	6,776,236 52
1815	1,287,959 28	1838	3,730,945 66
1816	1,717,985 03	1839	7,361,576 40
1817	1,991,226 06	1840	3,411,818 63
1818	2,606,564 77	1841	1,365,627 42

—*The Public Domain* — Donaldson, p. 17.

THE OHIO LIFE INSURANCE AND TRUST COMPANY.

DISTRIBUTION OF REAL ESTATE LOANS IN OHIO IN JANUARY, 1836.

AMOUNT LOANED ON BONDS AND MORTGAGES IN EACH COUNTY:

<i>County.</i>	<i>Amount.</i>	<i>County.</i>	<i>Amount.</i>
Adams .....	.....	Lorain	20,870
Allen	\$13,972	Logan	32,030
Athens .....	.....	Lawrence .....	.....
Ashtabula	10,200	Miami	35,610
Brown	2,112	Madison	13,450
Butler	22,450	Marion	43,485
Belmont	14,795	Morgan	9,500
Cuyahoga	139,790	Monroe	12,940
Coshocton	800	Montgomery	36,290
Carroll	20,722	Muskingum	16,309
Columbiana	20,725	Medina	3,500
Clinton	7,150	Mercer	12,055
Clermont	23,750	Meigs .....	.....
Clark	63,680	Pike .....	.....
Champaign	27,875	Pickaway	37,450
Crawford	16,100	Paulding	2,800
Delaware	15,200	Putnam	300
Darke	26,590	Preble	28,000
Fairfield	14,290	Portage	36,640
Franklin	88,975	Perry	650
Fayette	2,000	Ross	16,000
Geauga	500	Richland	27,325
Gallia	10,715	Sandusky	6,230
Greene	21,749	Shelby	16,810
Guernsey	4,350	Scioto	3,050
Hocking	1,200	Seneca	45,322
Huron	17,350	Stark	40,625
Hamilton	499,827	Trumbull	700
Hardin	4,060	Tuscarawas	23,690
Harrison	37,810	Union	10,600
Highland .....	.....	Van Wert	400
Holmes	14,700	Wayne	21,900
Hancock	1,000	Williams	5,500
Henry	1,200	Wood	1,000
Jackson .....	.....	Warren	55,800
Jefferson	22,582	Washington	11,400
Knox	46,775		
Licking	3,600		
		Total	\$1,858,099

To secure repayment of these loans, real estate was pledged of the estimated value of \$4,338,117. — *Ohio Monitor*. (Columbus), Jan. 18, 1836.

**DIGEST OF THE ACT TO INCORPORATE THE STATE BANK
OF OHIO AND OTHER BANKING COMPANIES.**

(Passed Feb. 24, 1845.)*

1. Occupies 30 pages.
2. Five persons or more may form company.
3. Aggregate capital stock of all not to exceed \$6,150,000.
4. State divided into 12 districts — names counties in each.
5. Number in counties limited: Hamilton County 4, Cuyahoga 6, Franklin 3, Ross 2, Muskingum 2, Jefferson 2, Summit 3, Lucas 2, Miami 2, Montgomery 2, each other 1.
6. Capital stock may be increased after end of two years.
7. Provides for Board of Bank Commissioners for 1 year, after which Auditor, Treasurer and Secretary of State shall be the commissioners.
8. Persons forming banking company must make certificate specifying name of company, amount of stock, number of shares held by each member of company, time of organization.
9. Provides for the branches of state bank and also for independent banks.
10. Capital stock of an independent bank must be at least \$50,000 and of branch of state bank \$100,000, neither to exceed \$500,000 — shares \$100.
11. At least 30% of capital stock to be paid in gold or silver coin, or equivalent.

IN RELATION TO STATE BANK.

12. When seven companies have formed, shall appoint members of the Board of Control to meet in Columbus.
13. Board of Control to furnish notes for circulation, prescribe rules for settlement of balances between branches, visit and examine branches. Their compensation and expense of printing notes to be paid by branches, the latter in ratio of notes of circulation received by each.
14. Notes issued by any branch, payable there in gold and silver coin.
15. Proportion of notes in circulation to capital stock:
 - On 1st \$100,000 capital not over twice that amount notes.
 - On 2nd \$100,000 capital not over $1\frac{1}{2}$ that amount notes.
 - On 3rd \$100,000 capital not over $1\frac{1}{4}$ that amount notes.
 - On 4th \$100,000 capital not over once that amount notes.
 - On any amount over \$400,000 capital not over $\frac{3}{4}$ that amount notes.

* Laws of Ohio, Vol. 43, p. 24.

ACT OF FEBRUARY 24, 1845 — Continued.

16. Each branch to pay over to Board of Control 10% on amount of notes received for circulation—the "Safety Fund" to be invested in stock of state, or U. S., or first mortgage real estate bonds of twice value of amount secured, branches to receive interest on same.
17. Stockholders collectively of any branch shall not be liable as debtors or securities to such branch to over $\frac{1}{2}$ the capital stock paid in and remaining. Nor directors collectively to have over $\frac{1}{4}$ capital stock actually paid in, standing in their names.
18. Branch refusing to redeem notes shall be insolvent and Board of Control shall appoint a receiver.
19. Each solvent bank shall contribute for redemption of notes of failing branch, to be repaid from sale of stocks in safety fund.

IN RELATION TO INDEPENDENT BANKS.

20. These to deposit with Treasurer of State, State or U. S. stock equal in amount to capital stock—Treasurer to issue them notes for circulation not exceeding amount of stock deposited; expenses of same to be paid out of Treasury to give new notes for mutilated ones and burn latter. Banks to receive interest on stock deposited except which such notes go below par for four consecutive weeks, or bank fails to redeem its notes.
21. If independent bank fails to redeem notes, Treasurer to sell stock deposited and from proceeds pay, in ratable proportion, the circulating notes such bank has at Treasury.
22. No dividends to be made on shares while any debts are unpaid.
23. Stockholders collectively of any independent bank shall not be liable to the bank to an amount over $\frac{3}{4}$ capital paid in. Directors not over amount specified by by-laws of company.
24. Duty of Auditor, Treasurer and Secretary of State annually to appoint person in vicinity of each independent bank to examine same.

GENERAL PROVISIONS.

25. No shareholder of any bank to receive dividends or profits while he is in debt to the county, but his dividend or profits to be retained and applied to payment of such debt.

ACT OF FEBRUARY 24, 1845—Continued.

26. No banking company to receive as security a lien on any part of its capital stock. Same security to be demanded of stockholders as of other persons. Bank to make no purchase of its own or the capital stock of any other incorporated company unless necessary to prevent loss on debt previously contracted in good faith. No stock so purchased to be held over six months if it can be sold for what stock cost, at par.
27. Stockholders entitled to one vote for each share—not less than five nor more than nine directors.
28. Incorporations all with succession till May 1, 1866, and thereafter till affairs closed.
29. Notes issued may be \$1, \$2, \$3, \$5, \$10, \$20, \$50 and \$100 only. Of these issued by any bank not over 10% shall be \$1 notes; 5% \$2; 10% \$3; 20% all denominations under \$5; 50% all denominations under \$10.
30. Nothing to be circulated as money except notes above described. Each independent company to redeem notes of all other independent companies at par; same for State bank branches.
31. Each bank keep on hand in gold or silver or equivalent 30% of amount outstanding circulation.
32. Branch banks not to be indebted over two-thirds of its actual capital stock. Independent banks not over whole amount capital stock, except on account:
 1. Its notes of circulation.
 2. Moneys deposited with or collected by such company.
 3. Bills exchange drawn against deposits to its credit.
 4. Liabilities to its stockholders on account money paid in or capital stock and dividends thereon.
33. Loans to stockholders not to exceed six months. Dividends always to be on net profits.
34. Semi-annual statements to Auditor must show:
 1. Capital stock paid in and remaining.
 2. Circulation. Amount of each denomination of note.
 3. Greatest amount in circulation at any time since previous statement.
 4. Amount of balances and debts due State bank, other banks of Ohio, banks of other states.
 5. Deposits.
 6. Amount of debts and liabilities—greatest amount at any time since previous statement.
 7. Amount of dividends declared.

ACT OF FEBRUARY 24, 1845 — Continued.

8. Gold and silver coin and bullion belonging to bank.
9. Amount subject to be drawn in gold and silver on deposit in New York, Philadelphia, Boston and Baltimore.
10. Circulating notes on hand of State bank, other Ohio banks, banks of other states.
11. Balances due from each of ten excluding nine.
12. Loans and discounts. Specify amount considered bad, doubtful, in suit or judgment.
13. Real and personal property held for convenience of company.
14. Real and personal property received on debts due.
15. Undivided profits.
16. Liabilities to company by directors.
17. Liabilities to company by stockholders.
35. Dividend to be declared on first Monday of May and November. Then banking company to set off to the state 6% on profits in lieu of all taxes.
36. Six per cent. interest on loans and discounts by Rowlett's tables. Excess cause forfeiture of debt on demand.
37. Total liabilities of any person or company to a bank limited.
38. Banks prohibited to circulate notes at par, notes of banks of other states of less denomination than \$5, of banks not redeeming in gold and silver.
39. Certain old banks authorized to recommence banking if they comply with this act.
40. Any branch of State Bank may close business with consent of Board of Control.
41. Repeals Act of March 7, 1842, and February 21, 1843. Notes of less than \$5 are forbidden other banks.

DIGEST OF THE ACT TO AUTHORIZE FREE BANKING IN OHIO.

(Passed March 21, 1851.)*

1. Any number of persons not less than three may engage in business of banking under this act.
2. Certificate to specify name and place of business of company, amount of capital stock and number of shares, name and residence and number of shares held by each member, time company formed, to be deposited with Secretary of State.
3. Capital stock (exclusive of securities deposited with Auditor for redemption of circulating notes) shall be at least \$25,000 and not over \$500,000.
4. Sixty per cent. of stock to be paid in before company begins business.
5. Auditor of State to furnish engraved notes to bank for circulation upon deposit of Ohio or U. S. stock equal in amount, but Auditor not to take stock above par or current market value nor producing less than 5% interest. Auditor shall not furnish notes more than three times amount of actual capital. Bank to pay expenses of issue.
6. Banks have corporate power till 1872 and thereafter till act repealed.
7. Capital stock in shares \$50; deemed personal property and assignable on books of company. Each bank shall have lien on stock of its debtors and no stock of debtor transferred without consent of majority of directors.
8. No lien to be taken on capital stock as security for loan, but same security in kind and amount required of stockholders as of others. No company to hold its own capital stock or that of other corporations unless purchase necessary to prevent loss on debt previously contracted in good faith; and then not held longer than six months if it can be sold at what it cost at par.
9. In elections one share entitled owner to one vote. Proxies allowed, but no officer, clerk, teller, or bookkeeper may act as proxy.
10. Not less than three nor more than five directors. Directors must, during whole term, be resident of Ohio. Three-quarters of the directors must have resided in the State two years previous to election. Directors collectively must own 1/10 of the capital stock and hold office one year.
11. Notes may be \$1, \$2, \$3, \$5, \$10, \$20, \$50 and \$100 only. Proportion fixed same as law of 1845. After 1860 Legislature may prohibit notes less than 5.

* Laws of Ohio, Vol. 49, pp. 41-56.

DIGEST OF FREE BANKING LAW — Continued.

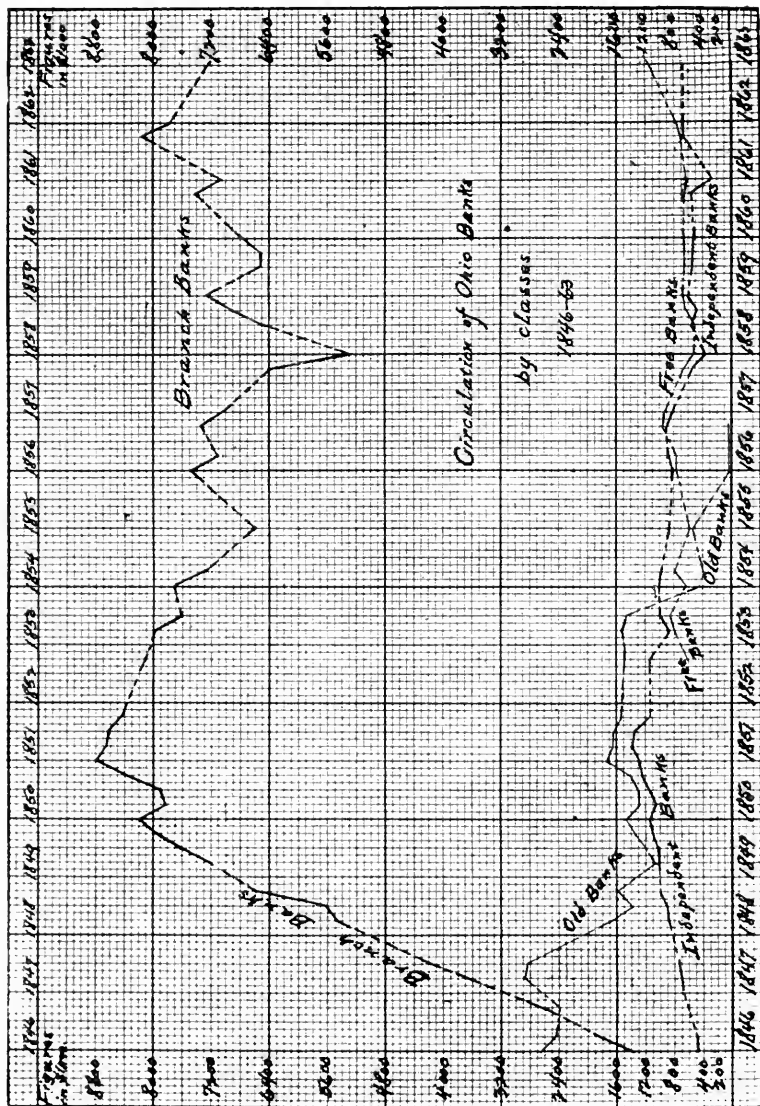
12. All banks under this law to receive notes of each other at par.
13. Thirty per cent. of amount circulated to be kept on hand in coin or equivalent; one-half of this in coin. Actual deposits in sound banks of New York, Boston, Philadelphia or Baltimore deemed equivalent to coin.
14. Limits to debts of company not over amount of actual capital stock, except circulation, deposits, drafts on deposits to credit of the company, liabilities to stockholders for money paid on capital stock and dividends thereon.
15. Notes not to be exchanged for stock, nor capital stock for certificates of stock to be deposited with Auditor for redemption of notes.
16. Capital stock not to be withdrawn in form of dividends or loans to stockholders for more than six months. No dividend greater than amount of net profits.
17. Directors on first Monday in May and November to declare a dividend and file statement with Auditor of State (as in law of 1845).
18. Interest rate 6% by Rowlett's tables; usury forfeits debt.
19. Liabilities to any other company not to exceed one-third its circulation.
20. Uncurrent notes not to be paid out.
21. Violation law forfeits privileges.
22. Officers guilty imprisonment in Pen. at hard labor 5 to 20 years.
23. Mutilated notes to be exchanged and burnt.
24. If bank fail redeem notes — holder may have protested and notify Auditor after which unlawful for bank to do any business except receive and safely keep moneys belonging to it, and deliver special deposits — Auditor to sell stock deposited and redeem notes outstanding — Individual liability of stockholders in proportion to stock when bank fails to redeem.
25. Where bank owned by less than 6 stockholders they individually liable for all debts and liabilities of bank.
26. No dividends to be made when capital stock is diminished.
27. Stockholders collectively shall not be liable to bank for over two-fifths capital stock.
28. Damages for refusal to redeem notes 15% per annum from time of refusal till resumption.
29. List of shareholders & amt stock to be filed with county recorder Jan. & July each year — also with Aud. State — another at bank.
30. Company not to begin business till deposit with Auditor equals 60% capital.

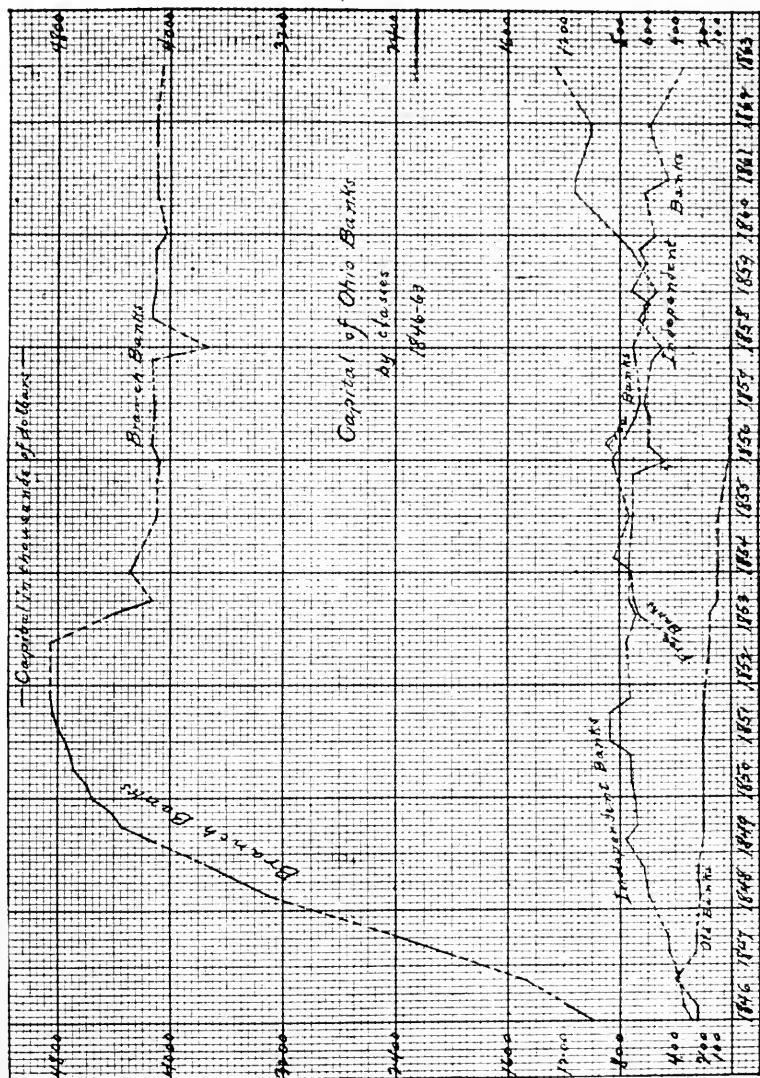
OHIO BANK STATISTICS. 1846-1863.

**PRINCIPAL RESOURCES AND LIABILITIES OF BANKS
BY CLASSES.**

(DIAGRAMS AND DETAILS.)

(501)





OHIO BANK STATISTICS. 1846-1863.

May 1, 1846.¹²

RESOURCES:	Independent Branches of		
	Banks.	State Bank.	Old Banks.
Number of banks.....	7	16	5
Notes and bills discounted.....	\$968,896	\$2,423,779	\$4,639,219
Specie on hand.....	159,669	618,049	795,552
Notes of other banks.....	146,474	374,577	466,208
Due from banks.....	56,484	107,366	435,676
Eastern deposits	96,723	357,280	462,023
Bonds deposited with State.....	565,118	207,588	.....
Other resources	134,259	16,694	937,323
Total resources	\$2,127,623	\$4,105,333	\$7,645,996

LIABILITIES:

Circulation	\$499,100	\$1,822,435	\$2,463,760
Capital stock paid in.....	328,720	1,173,450	2,565,376
Due to banks.....	79,488	89,884	807,544
Individual deposits	644,521	946,563	972,852
Contingent fund	12,992	26,234	256,687
Bonds with State Treasurer.....	494,170	.....	.....
State taxes paid for 6 mo.....	1,654	3,773	7,374
Other liabilities	66,978	42,994	572,403
Total liabilities	\$2,127,623	\$4,105,333	\$7,645,996

May 5, 1847.¹³

RESOURCES:	Independent Branches of		
	Banks.	State Bank.	Old Banks.
Number of banks.....	9	22	8
Loans	\$1,187,713	\$4,812,772	\$4,936,175
Specie	201,035	1,080,467	745,047
Bank notes	123,226	540,302	418,033
Bank balances	88,985	170,507	260,376
Eastern deposits	251,488	487,345	513,332
State bonds	783,920	.....	.....
Safety fund deposited with board of control.....	.....	387,349	.....
Other resources	164,310	58,862	935,951
Total resources	\$2,800,679	\$7,537,597	\$7,908,926

LIABILITIES: (Fractions omitted.)

Capital	\$440,300	\$2,070,700	\$2,560,700
Circulation	707,700	3,678,900	2,894,400
Bank balances	145,300	116,400	790,100
Deposits	754,600	1,274,900	1,327,300
Bonds with Treasurer.....	729,900	.....	.....
State fund at credit Board of Control.....	.....	76,000	.....
State tax 6 months.....	1,900	7,700	8,000
Contingent fund	23,700	30,900	214,300
Other liabilities	73,000	280,600	120,800
Total liabilities	\$2,800,679	\$7,537,500	\$7,908,900

¹² Banker's Magazine, Vol. I, p. 72.¹³ Bankers' Magazine, Vol. II, p. 129.

OHIO BANK STATISTICS. 1846-1863 — Continued.

RESOURCES: (Aug. 1848.) ¹⁴	Independent Branches of		
	Banks.	State Bank.	Old Banks.
Number of banks.....	11	37	7
Bills discounted	\$1,616,258	\$7,007,743	\$3,476,186
Specie	279,951	1,994,937	457,449
Bank notes	193,507	659,309	415,526
Bank balances	157,607	442,913	188,629
Eastern deposits	304,625	709,911	535,441
State bonds	1,063,894	653,663	.....
Real estate	20,097	88,656	160,654
Total resources	\$3,720,077	\$11,680,098	\$5,740,278

LIABILITIES:			
Capital stock	\$613,015	\$3,499,814	\$2,311,226
Circulation	900,202	5,633,322	1,397,842
Due to banks.....	102,283	259,849	287,074
Deposits	961,118	1,864,953	1,373,357
Safety fund	967,920	69,757	.....
Surplus fund	65,167	95,252	242,988
Discounts	52,389	168,906	12,290
Total liabilities	\$3,720,077	\$11,680,098	\$5,740,278

RESOURCES:	Independent Branches of		
	Banks.	State Bank.	Old Banks.
Number of banks.....	11	40	5
Notes and bills discounted.....	\$1,883,991	\$9,168,025	\$3,391,827
Specie	300,940	2,496,980	412,000
Notes of other banks.....	236,025	930,870	644,172
Bank balances	198,860	420,545	180,280
Eastern deposits	261,856	942,246	303,100
Cash items	35,272	48,646	69,606
Bonds deposited	1,154,456	821,044	.....
Real estate	50,610	131,888	125,356
Miscellaneous	104,726	156,434	280,067
Total resources	\$4,226,736	\$15,116,678	\$5,406,410

LIABILITIES.			
Capital paid in.....	\$670,650	\$4,347,311	\$2,011,226
Circulation	1,036,156	7,624,306	1,203,217
Safety fund	1,074,847	68,302	.....
Bank balances	158,601	312,574	820,116
Deposits	1,054,070	2,228,241	1,087,324
Surplus fund	115,230	183,344	232,302
Time drafts	23,650	147,892	10,840
Profits	44,240	195,660	11,604
Dividends unpaid	8,610	5,972	22,229
Miscellaneous	40,712	3,106	4,552
Total liabilities	\$4,226,736	\$15,116,678	\$5,406,410

¹⁴ Ibid., Vol. III, p. 220.¹⁵ Bank. Mag., Vol. IV, p. 354.

OHIO BANK STATISTICS. 1846-1863 — Continued.

RESOURCES: ¹⁶ (May 1850.)	Independent Branches of		
	Banks.	State Bank.	Old Banks.
Number of banks.....	11	41	5
Loans	\$2,139,588	\$10,546,088	\$3,643,626
Specie on hand.....	311,295	2,116,732	317,442
Notes of other banks.....	225,890	619,842	411,052
Bank balances	194,573	521,312	146,391
Eastern deposits	281,052	836,027	262,635
Cash items	1,172	34,961	8,094
State bonds	1,227,460	880,568	.....
Real estate	65,412	204,119	153,433
Miscellaneous	61,588	152,561	317,354
Total resources	\$4,508,030	\$15,912,210	\$5,260,027

LIABILITIES:

Capital paid in.....	\$711,860	\$4,601,256	\$2,011,226
Circulation	1,078,002	7,829,052	1,277,403
Safety fund	1,155,570	49,500	.....
Bank balances	104,943	408,282	572,403
Individual deposits	1,138,617	2,361,993	950,976
Surplus fund	92,033	289,086	288,746
Bills payable	118,998	163,953	88,483
Discounts, interest, etc.....	8,940	3,784	45,313
State tax 6 months.....	3,276	21,340	1,490
Dividends unpaid	50,398	149,915	21,432
Miscellaneous	45,393	34,038	2,636

May 1851.¹⁷

RESOURCES:	Independent Branches of		Old	Free
	Banks.	State Bank.	Banks.	Banks.
Number of banks.....	12	41	5	
Loans and discounts.....	\$2,710,724	\$11,994,120	\$4,419,522	
Specie on hand.....	321,558	2,051,531	425,736	
Bank notes	304,800	696,252	255,043	
Bank balances	212,810	551,075	204,074	
Eastern deposits	325,700	1,147,043	336,926	
State bonds	1,460,514	915,696	.....
Cash items	1,486	14,125	21,000	
Real estate	97,728	197,317	148,752	
Miscellaneous	75,678	184,956	203,863	
Total resources	\$5,510,400	\$17,752,115	\$6,044,916	

LIABILITIES:

Capital paid in.....	\$864,580	\$4,802,620	\$1,961,226
Circulation	1,391,457	8,660,444	1,636,874
Safety fund stock.....	1,215,612	62,194	.....
Bank balances	222,092	396,318	1,063,984
Deposits	1,516,170	3,133,541	955,975
Surplus fund	39,141	282,330	299,107
Time drafts	181,488	168,256	33,580
Discounts, etc.	22,793	11,070	55,500
Dividends unpaid	51,204	175,960	2,164
Miscellaneous	5,862	59,382	36,506
Total liabilities	\$5,510,400	\$17,752,115	\$6,044,916

¹⁶ Bank. Mag., Vol. V, p. 142.¹⁷ Bank. Mag., Vol. VI, p. 236.

OHIO BANK STATISTICS. 1846-1863 — Continued.

RESOURCES: (Nov. 1852). ¹⁸	Independent Banks.	Branches of State Bank.	Old Banks.	Free Banks.
Number of banks.....	11	40	5	12
Loans and discounts.....	\$2,202,500	\$10,346,814	\$3,169,038	\$1,068,898
Specie	269,478	1,854,316	381,060	123,465
Bank notes	301,210	817,110	770,711	180,528
Due from banks.....	120,404	636,495	121,391	166,034
Eastern deposits	375,253	2,035,765	660,460	215,938
Checks, cash items.....	22,054	67,817	.....	6,252
State bonds	1,195,930	903,524	.....	703,984
Real estate, etc.....	105,115	171,688	130,390	19,376
Miscellaneous	197,220	325,084	316,010	12,920
Total resources	\$4,792,164	\$17,158,614	\$5,558,061	\$2,497,400

LIABILITIES:

Capital	\$749,180	\$4,456,675	\$1,547,526	\$361,730
Circulation	1,111,542	8,120,828	1,488,470	619,370
Safety fund stock.....	1,148,410	50,038	.....	414,490
Bank balances	164,815	354,961	913,438	90,896
Deposits	1,302,027	3,543,650	1,213,690	912,676
Surplus fund	55,412	297,096	323,770	8,467
Bills payable	85,971	151,418	12,046	22,205
Discounts	39,396	280	32,836	14,473
Dividends unpaid	29,271	140,928	3,676	23,092
Other liabilities	73,140	42,740	22,608	.....
Total liabilities	\$4,792,164	\$17,158,614	\$5,558,061	\$2,497,400

August 1853. ¹⁹	Independent Banks.	Branches of State Bank.	Old Banks.	Free Banks.
RESOURCES:	11	39	5	13
Number of banks.....				
Loans	\$2,276,342	\$10,135,691	\$1,737,800	\$1,236,018
Specie	219,792	1,682,872	339,913	171,625
Bank notes	221,137	769,356	109,786	202,771
Due from banks.....	153,148	690,248	122,067	398,426
Eastern deposits	319,975	2,096,326	713,452	383,098
Cash items	36,378	75,717	.....	44,888
State bonds	1,088,143	823,127	.....	922,790
Real estate	120,528	143,545	93,343	26,454
Miscellaneous	251,320	282,540	225,844	11,513
Total resources	\$4,716,765	\$16,699,424	\$3,342,296	\$3,397,613

LIABILITIES:

Capital	\$719,330	\$4,141,175	\$936,300	\$695,440
Circulation	1,023,704	7,642,276	1,474,339	849,692
Safety fund	1,165,783	49,387	.....	268,820
Bank balances	182,320	438,864	104,053	148,161
Deposits	1,340,062	3,720,765	510,630	1,333,213
Contingent fund	66,510	337,443	287,352	17,028
Time drafts	122,090	96,903	8,452	43,600
Discounts	659,926	210,256	9,070	41,083
Dividends unpaid	911	4,523	1,964	663
Miscellaneous	30,218	57,833	10,135	.....
Total liabilities	\$4,716,765	\$16,699,424	\$3,342,296	\$3,397,613

¹⁸ Bank. Mag., Vol. VII, p. 508.

¹⁹ Bank. Mag., Vol. 8, p. 406.

OHIO BANK STATISTICS. 1846-1863 — Continued.

November 1855. ²⁰	Independent		Branches of		Old	Free
RESOURCES:	Banks.		State Bank.		Banks.	Banks.
Number of banks.....	11		37		1	13
Loans	\$1,701,044		\$10,085,352		\$1,785,453	\$1,293,191
Specie	160,078		1,633,976		26,471	140,431
Notes of other banks.....	216,165		534,603		291,854	172,847
Due from other banks.....	82,374		649,199		143,617	80,446
Eastern deposits	290,514		1,446,057			225,543
Checks and other cash items.....	16,578		38,645		8,354	8,451
Bonds of U. S. and State.....	892,135		798,910			808,412
Real estate and personal property.....	36,293		276,747		23,002	48,176
Other resources	101,017		488,131		363,990	62,519
Total resources	\$3,496,197		\$15,960,619		\$2,642,742	\$2,840,017
LIABILITIES:						
Capital stock	\$537,500		\$4,094,500		\$223,000	\$837,250
Circulation	874,167		7,520,481		3,355	756,692
Safety fund stock.....	728,187		55,575			231,000
Due to banks and bankers.....	111,401		216,376		770,701	59,746
Deposits	1,012,505		2,958,934		1,601,884	878,271
Undivided profits	82,744		730,040			8,902
Bills payable, time drafts.....	14,292		86,943		720	16,554
Dividends unpaid	7,043		115,936			24,928
Other liabilities	128,358		181,836		43,082	26,674
Total liabilities	\$3,496,197		\$15,960,619		\$2,642,742	\$2,840,017

RESOURCES: (Feb. 1856). ²¹	Independent		Branches of		Old	Free
	Banks.		State Bank.		Banks.	Banks.
Number of banks.....	11		41		1	13
Loans	\$1,667,177		\$10,190,805		\$1,721,008	\$1,243,009
Specie	207,247		1,710,563		12,328	136,673
Bank notes	227,969		745,747		512,695	146,549
Eastern deposits	294,679		1,499,416			271,132
Due from banks.....	95,018		765,335		66,201	125,398
Cash items	20,350		60,260		15,655	8,293
Bonds of U. S. and Ohio.....	883,535					
State stocks deposited with Auditor....						787,248
Safety fund			805,970			
Real estate, etc.....	14,468		277,050		23,002	36,188
Other resources	55,905		492,436		538,466	108,241
Total resources	\$3,466,347		\$16,579,581		\$2,889,355	\$2,962,732
LIABILITIES:						
Capital stock	\$475,000		\$4,019,500		\$75,000	\$853,250
Circulation	829,576		7,480,006		3,355	767,652
Safety fund	700,407					233,000
Safety fund at credit B. of C.....			60,264			
Due to banks.....	81,654		271,946		1,298,610	59,832
Deposits	1,119,342		3,496,077		1,493,983	985,716
Contingent fund	108,225		731,136			7,010
Time drafts			63,921		720	5,000
Discount, interest, etc.....	46,588		204,435			49,400
Dividends unpaid	173		4,163			1,871
Other liabilities	105,381		173,133		17,687	2

²⁰ Ohio—Annual Report of State Auditor for 1855.²¹ Bank. Mag., Vol. 10, p. 977.

OHIO BANK STATISTICS. 1846-1863 — Continued.

Feb. 2, 1857. ²²	<i>Independent Banks.</i>	<i>Free Banks.</i>	<i>Branches of State Bank.</i>
RESOURCES:			
Number of banks.....	8	10	36
Loans	\$1,925,565	\$1,430,248	\$10,170,936
Specie	195,180	151,653	1,659,142
Bills of other banks.....	260,450	199,754	665,240
Due from banks.....	72,352	119,057	831,650
Eastern exchange	237,760	223,311	1,139,398
Cash items	23,890	7,486	56,391
State bonds	909,303	995,283	831,810
Real estate	21,798	39,427	301,677
Miscellaneous	39,388	22,660	339,979
Total resources	\$3,685,688	\$3,191,881	\$15,984,223

LIABILITIES:			
Capital	\$624,105	\$660,200	\$4,114,500
Circulation	829,658	917,768	7,048,367
Safety fund	572,670	479,600	44,510
Due other banks.....	88,830	69,927	240,745
Due depositors	1,327,436	972,728	3,448,954
Undivided profits	116,850	30,007	825,391
Bills payable .....	.....	18,973	44,724
Discounts	49,688	42,115	210,534
Dividends unpaid	769	286	4,256
Miscellaneous	75,680	311	2,444
Total liabilities	\$3,685,688	\$3,191,881	\$15,984,223

Feb. 1860. ²³	<i>Independent Banks.</i>	<i>Free Banks.</i>	<i>Branches of State Bank.</i>
RESOURCES:			
Specie	\$120,957	\$131,416	\$1,576,267
Eastern deposits	172,760	335,164	990,870
Notes of other banks.....	157,231	350,764	390,342
Due from banks.....	89,966	285,268	793,735
Loans	1,428,692	1,414,402	8,257,368
State bonds	600,214	758,529	.....
Safety fund .....	.....	.....	794,809
Real estate	75,415	29,107	611,391
Cash items	9,632	62,638	85,108
Other resources	72,453	37,098	855,176
Total resources	\$2,727,320	\$3,404,389	\$14,355,065

LIABILITIES:			
Capital stock	\$550,000	\$820,945	\$4,035,750
Reserve fund .....	.....	.....	570,110
Safety fund	548,934	365,100	.....
Circulation	538,820	652,867	6,792,202
Due banks and bankers.....	87,629	504,315	198,627
Individual deposits	853,319	952,056	2,211,668
Dividends unpaid	182	325	2,254
Contingent fund	87,849	40,407	265,708
Discounts, interest, etc.....	30,850	62,694	150,066
Bills payable .....	.....	5,000	48,167
State tax ²⁴	1,017	.....	18,293
Other liabilities	28,720	678	62,276
Total liabilities	\$2,727,320	\$3,404,389	\$14,355,065

²² Bankers' Magazine, Vol. XI, p. 817. ²³ Bankers' Magazine, Vol. XIV, p. 687.

²⁴ Set off on profits.

OHIO BANK STATISTICS. 1846-1863 — Continued.

Feb. 1863.²⁵

RESOURCES:	<i>Independent Banks.</i>	<i>Free Banks.</i>	<i>Branches of State Bank.</i>
Specie on hand.....	\$158,255	\$648,048	\$2,216,982
Eastern deposits	710,995	673,754	1,648,721
Bank notes	300,312	1,500,217	2,012,834
Due from banks.....	126,496	252,716	1,028,044
Discounts	1,096,964	2,547,976	8,653,459
State bonds	1,205,530	1,748,481	814,809
Real estate, etc.....	80,956	78,770	537,723
Cash items	15,143	182,278	63,715
Other resources	86,721	71,231	1,343,257
Total resources	\$3,781,372	\$7,703,471	\$18,319,544

LIABILITIES:

Capital	\$350,000	\$1,269,300	\$4,054,700
Safety fund	534,900	328,700	725,226
Circulation	669,288	1,142,036	7,246,514
Due to banks.....	194,788	528,750	291,215
Deposits	1,820,474	4,229,148	5,631,629
Unpaid dividends	205	165	6,847
Contingent fund, etc.....	116,661	81,187	79,025
Discounts	50,817	113,014	216,909
Bills payable .....	.....	9,350	.....
Other liabilities	44,239	921	67,479
Total liabilities	\$3,781,372	\$7,703,471	\$18,319,544

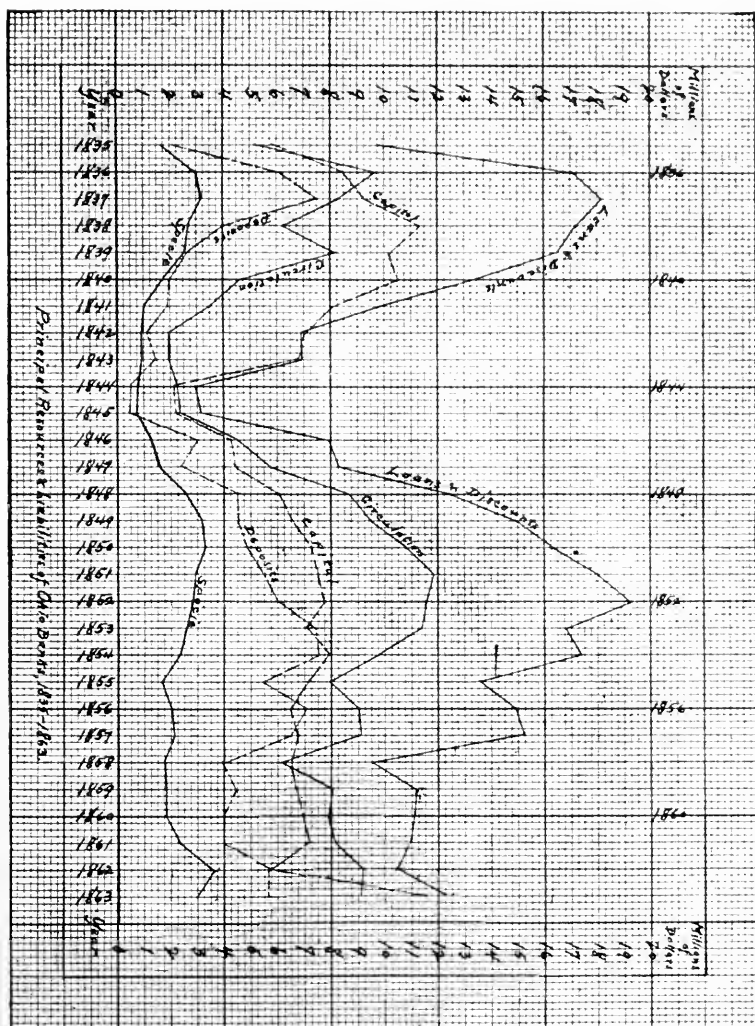
RESOURCES: (Aug. 1863).²⁶

	<i>Independent Banks.</i>	<i>Free Banks.</i>	<i>Branches of State Bank.</i>
Number of banks.....	5	10	36
Specie on hand.....	\$59,570	\$618,506	\$1,712,858
Eastern deposits	346,836	404,052	1,398,942
Bank notes	275,474	1,691,985	1,832,942
Due from banks.....	72,816	511,646	1,075,443
Discounts	938,470	1,911,427	7,586,035
State bonds	928,532	1,332,683	816,800
Real property, etc.....	58,436	72,018	518,760
Cash items	330,520	31,091	73,880
Other resources	73,506	182,982	2,398,116
Total resources	\$3,084,160	\$6,156,390	\$17,413,752

LIABILITIES:

Capital	\$227,500	\$1,045,300	\$3,904,700
Safety fund	299,900	92,100	728,690
Circulation	416,924	506,923	5,901,629
Due to banks.....	303,900	654,489	303,258
Deposits	1,673,303	3,593,636	6,016,270
Unpaid dividends	205	535	11,737
Contingent fund	69,141	69,481	87,239
Interest account	68,798	85,950	281,728
Bills payable .....	.....	.....	30,000
Other liabilities	24,489	17,976	145,501
Total liabilities	\$3,084,160	\$6,156,390	\$17,413,752

²⁵ Bankers' Magazine, Vol. XVII, p. 863.²⁶ Ibid., Vol. XVIII, p. 255.



OHIO BANK STATISTICS. 1846-1863 — Continued.

(In thousands of dollars)²⁷

	Independent.					Branch.				
	Loans and Dis- counts.	Specie.	Capital	Circulation.	Deposits.	Loans and Dis- counts.	Specie.	Capital	Circulation.	Deposits.
1846—Feb.	867	175	283	477	651	2,000	471	998	1,388	907
May	969	160	329	499	645	2,424	618	1,173	1,822	947
Nov.	992	187	376	612	602	3,254	820	1,497	2,655	861
1847—Feb.										
May	1,188	201	440	708	755	4,813	1,080	2,071	3,679	1,275
Aug.	1,126	224	450	738	960	4,661	1,320	2,362	4,179	1,744
Nov.										
1848—Feb.										
May	1,750	295	601	885	1,040	7,181	1,995	3,302	5,475	2,209
Aug.	1,616	280	613	900	961	7,008	1,995	3,500	5,633	1,865
Nov.	1,752	304	627	1,001	997	8,180	2,194	3,716	6,586	2,098
1849—Feb.										
May	1,949	296	751	1,003	1,031	9,691	2,358	4,153	7,227	2,298
Aug.	1,884	301	671	1,036	1,054	9,168	2,497	4,347	7,624	2,228
Nov.	1,932	331	690	1,107	1,002	10,164	2,516	4,428	7,989	2,387
1850—Feb.	2,145	348	698	1,149	1,151	10,364	2,637	4,563	8,202	2,600
May	2,140	311	712	1,078	1,139	10,546	2,117	4,601	7,829	2,362
Aug.	2,158	335	726	1,158	205	9,886	2,070	4,687	7,906	297
Nov.	2,349	334	758	1,250	1,279	10,881	2,052	4,720	8,407	2,824
1851—Feb.	2,530	331	865	1,349	1,547	11,131	2,157	4,748	8,785	3,077
May	2,711	322	865	1,391	1,516	11,994	2,052	4,803	8,660	3,134
Aug.	2,670	313	865	1,375	1,511	11,218	2,008	4,836	8,624	3,005
Nov.	2,239	281	726	1,158	1,329	11,830	1,957	4,852	8,464	3,058
1852—Feb.										
May										
Aug.	2,005	306	744	1,130	1,180	8,969	1,979	4,514	7,750	3,387
Nov.	2,203	269	749	1,145	1,301	10,317	1,854	4,457	8,121	3,544
1853—Feb.										
May	2,192	198	609	912	1,368	11,525	1,725	4,422	8,006	3,945
Aug.	2,276	250	719	1,024	1,340	10,136	1,683	4,141	7,612	3,721
Nov.										
1854—Feb.	2,219	226	719	1,042	1,237	11,182	1,706	4,294	7,716	4,053
May	2,242	198	720	1,005	1,241	11,160	1,651	4,254	7,311	3,599
Aug.										
Nov.										

²⁷ For the remainder of this table the references not already given above are as follows: Feb. 46, Aud. Rept. 2/27/46; Nov. 46, Ibid., 1/6/47; Aug. 47, Hunt's Mag., 17:533; May 48, Ibid., 19:224; Nov. 48, Bankers' Mag., 3:604; May 49, Hunt's Mag., 21:245; Nov. 49, Ibid., 22:222; Feb. 50, Ibid., 22:650; Aug. 50, Ibid., 23:548; Nov. 50, Ibid., 24:91; Jan. 51, Ibid., 24:487; Aug. 51, Ibid., 25:467; Nov. 51, Ibid., 26:224.

OHIO BANK STATISTICS. 1816-1863 — Continued.

(In thousands of dollars)

	Old.					Free.				
	Loans and Dis- counts.	Specie.	Capital.	Circulation.	Deposits.	Loans and Dis- counts.	Specie.	Capital.	Circulation.	Deposits.
1846—Feb.	4,924	729	2,567	2,641	1,124	.....	.....	.....	.....	.....
May	4,639	706	2,565	2,464	973	.....	.....	.....	.....	.....
Aug. ....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Nov.	4,046	612	3,954	2,407	935	.....	.....	.....	.....	.....
1847—Feb. ....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
May	4,936	745	2,561	2,894	1,327	.....	.....	.....	.....	.....
Aug.	4,709	779	2,561	2,855	1,467	.....	.....	.....	.....	.....
Nov. ....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1848—Feb. ....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
May	2,809	482	2,211	1,665	1,518	.....	.....	.....	.....	.....
Aug.	3,476	457	2,311	1,398	1,373	.....	.....	.....	.....	.....
Nov.	3,747	403	2,311	1,580	1,075	.....	.....	.....	.....	.....
1849—Feb. ....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
May	3,342	373	2,011	1,021	1,001	.....	.....	.....	.....	.....
Aug.	3,392	412	2,011	1,203	1,087	.....	.....	.....	.....	.....
Nov.	3,499	396	2,011	1,349	1,046	.....	.....	.....	.....	.....
1850—Feb.	3,796	385	2,011	1,475	1,066	.....	.....	.....	.....	.....
May	3,644	317	2,011	1,277	951	.....	.....	.....	.....	.....
Aug.	3,557	346	2,011	1,302	735	.....	.....	.....	.....	.....
Nov.	3,829	364	2,011	1,403	980	.....	.....	.....	.....	.....
1851—Feb.	4,386	443	2,011	1,739	888	.....	.....	.....	.....	.....
May	4,450	426	1,961	1,637	956	.....	.....	.....	.....	.....
Aug.	3,654	438	1,924	1,637	1,000	.....	.....	.....	.....	.....
Nov.	3,814	418	1,924	1,537	972	.....	.....	.....	.....	.....
1852—Feb. ....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
May ....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Aug.	3,153	448	1,548	1,454	1,093	1,042	131	359	542	967
Nov.	3,169	384	1,548	1,488	1,214	1,069	123	362	619	913
1853—Feb. ....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
May	3,678	403	1,548	1,525	1,054	1,363	155	659	803	1,187
Aug.	1,738	340	936	1,474	511	1,236	172	695	850	1,333
Nov. ....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1854—Feb.	2,715	186	811	451	1,062	1,265	111	720	629	1,332
May	2,514	99	711	399	894	1,367	134	835	792	.....
Aug. ....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Nov. ....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....

May 53, *Ibid.*, 29:352; Feb. 54, *Ibid.*, 30:605; May 54, *Ibid.*, 31:91; Jan. 55, *Ibid.*, 32:352; May 56, *Ibid.*, 35:99; Nov. 56, *Aud. An. Rept.* 1856, p. 67; Nov. 57, *Aud. An. Rept.* 1857, p. 454; Feb. 58, 35th Cong. 1st Sess. House Doc. 107:286:90; Aug. and Nov. 58, *Bankers' Mag.* 13:892; Feb. 59, *Ibid.*, 14:687; Aug. 59, *Hunt's Mag.* 42:86; Nov. 59, *Ibid.*; Nov. 60, *Aud. An. Rept.* 1860, p. 40; Feb. 61, *Bankers' Mag.* 16:789; Nov. 61, *Aud. An. Rept.* 1861, p. 94; Feb. 62, *Bankers' Mag.* 16:789; May 63, *Ibid.*, 17:863.

BANK STATISTICS FOR UNITED STATES, 1774-1804.²⁸

Year.	Number of banks.	Millions of dollars.			Year.
		Metallic circulation.	Circulation.	Capital.	
1774 .....	.....	4.0	.....	.....	1774
1784	3	10.0	2.0	2.1	1784
1790	4	9.0	2.5	2.5	1790
1791	6	16.0	9.0	12.9	1791
1792	16	18.0	11.5	17.1	1792
1793	17	20.0	11.0	18.0	1793
1794	17	21.5	11.6	18.0	1794
1795	23	19.0	11.0	19.0	1795
1796	24	16.5	10.5	19.2	1796
1797	25	16.0	10.0	19.2	1797
1798	25	14.0	9.0	19.2	1798
1799	26	17.0	10.0	21.2	1799
1800	28	17.5	10.5	21.3	1800
1801	31	17.0	11.0	22.4	1801
1802	32	16.5	10.0	22.6	1802
1803	36	16.0	11.0	26.0	1803
1804	39	17.5	14.0	39.5	1804

²⁸ Above estimates are from Blodgett's *Economica*, p. 66, and are given in Secretary Crawford's report on the condition of the banks, Jan. 3, 1836, p. 216.

See also Report of Comptroller of the Currency, 1876, p. XXXIX.

STATISTICS OF BANKS IN THE UNITED STATES, 1811-1840.²⁹

(In thousands of dollars).

Date, Jan. 1.	Number of banks.	Loans and discounts.	Specie.	Circulation.	Deposits.	Capital.
1811	89	.....	\$15,400	\$28,100	.....	\$52,601
1815	208	.....	17,000	45,500	.....	82,259
1816	246	.....	19,000	68,000	.....	89,822
1820	308	.....	19,820	44,863	\$35,956	137,110
1830	330	\$200,451	22,114	61,323	55,559	145,192
1834	506	324,119	.....	94,839	75,666	200,065
1835	558	365,163	43,937	103,692	83,081	231,250
1836	567	457,506	40,019	140,301	115,104	251,875
1837	634	525,115	37,915	149,185	127,397	290,772
1838	663	485,631	35,184	116,138	84,691	317,636
1839	662	492,278	45,132	135,170	90,240	327,132
1840	722	462,896	33,105	106,968	75,696	358,442

SAME FOR STATE BANKS ONLY.³⁰

1811	88	.....	\$9,600	\$22,700	.....	\$42,610
1815	208	.....	17,000	45,500	.....	82,259
1816	246	.....	19,000	68,000	.....	89,822
1819 .....	.....	\$73,623	9,828	35,770	11,192	72,340
1820	307	.....	16,672	40,641	31,244	102,110
1829	329	.....	14,939	48,274	40,781	110,192

²⁹ Elliott's Funding System, p. 984—House Ex. Doc. No. 15, 1st sess., 28th Cong.

³⁰ Figures for 1819 from Sec. Crawford's Report to Cong., Feb., 1820. For the other years—Gallatin's Considerations on the Currency and Banking Systems of the U. S. (Phila., 1831), pp. 45, 49 and 53.

STATISTICS OF STATE BANKS IN THE UNITED STATES,
1834-1863.³¹

(In thousands of dollars).

Year.	Number of banks.	Loans and discounts.	Specie.	Capital.	Circulation.	Deposits.
1834	506	\$324,119	.....	\$200,005	\$94,839	\$75,666
1835	704	365,163	\$43,937	231,250	103,692	83,081
1836	713	457,506	40,919	251,875	140,301	115,104
1837	788	525,115	37,915	290,772	149,185	127,397
1838	829	485,631	35,184	317,636	116,138	84,691
1839	840	492,278	45,132	327,132	135,170	90,240
1840	901	462,896	33,105	358,442	106,968	75,696
1841	784	386,487	34,813	313,608	107,290	64,890
1842	692	323,957	28,440	260,171	83,734	62,408
1843	691	254,544	33,515	228,861	58,563	56,168
1844	696	264,905	49,898	210,872	75,167	84,550
1845	707	288,617	44,241	206,045	89,608	88,020
1846	707	312,114	42,012	196,894	105,552	96,913
1847	715	310,282	35,132	203,070	105,519	91,792
1848	751	344,476	46,369	204,838	128,506	103,226
1849	782	332,323	43,619	207,309	114,743	91,178
1850	824	364,204	45,379	217,317	131,366	109,586
1851	879	413,756	48,671	227,807	155,165	128,957
1852	.....	.....	.....	.....	.....	.....
1853	750	408,943	47,138	207,908	146,072	145,553
1854	1,208	557,397	59,410	301,376	204,689	188,188
1855	1,307	576,144	53,944	337,177	186,952	190,400
1856	1,395	634,183	59,314	343,874	195,747	212,705
1857	1,416	684,456	58,349	370,834	214,778	230,351
1858	1,422	583,165	74,412	394,622	155,208	185,932
1859	1,476	657,183	104,537	401,976	193,306	259,568
1860	1,562	691,915	83,594	421,880	207,102	253,802
1861	1,601	696,778	87,674	429,592	202,005	257,229
1862	1,492	616,677	102,146	418,139	183,792	296,322
1863	1,466	648,601	101,227	405,045	238,677	393,686

³¹ From Report of the Comptroller of the Currency, 1876, pp. XCIV and XCV.

CINCINNATI PRICES.³³

(On or about Dec. 1.)

1829-1858.

	Wheat per bu.	Flour per bbl.	Corn per bu.	Whiskey per gal.	Hogs per cwt.	Mess Pork per bbl.	Lard per lb.	Sugar per lb.	Coffee per lb.	Tallow, candles per lb.
1829	\$0 50	\$4 12½	\$0 25	\$0 24½	\$2.60	.....	\$0 06	\$0 09	\$0 15	\$0 12
1830	56	3 62½	20	24	2.60	\$9 50	06	09½	19	12½
1831	56	3 62½	20	24	2.60	9 50	06	07	15½	10½
1832	75	4 25	37	25	2.60	10 50	06	06½	14	12
1833	62	3 55	31	25	2.60	10 00	06¼	10	15	13
1834	62	3 31	31	37½	3.12½	10 00	06	07½	15	11
1835	1 06	6 37	32	37½	3.12½	16 40	08½	10	14½	12
1836	1 25	8 25	33	34	7.00	19 00	12½	10½	15	14
1837	1 12	6 75	40	36½	3.50	17 50	06½	07½	13½	14
1838	1 15	6 15	62½	42	6.00	19 50	10	12½	15	14½
1839	65	4 60	31½	32	3.00	13 00	08	07½	15	13½
1840	60	3 60	60	18½	4.75	15 00	08	07½	13	11
1841	1 00	5 30	30	15½	2.25	6 25	05	07	12½	10½
1842	45	2 62	20	13½	1.75	5 00	04¼	07¼	10½	09
1843	60	3 62	20	18	2.45	7 60	05	06¼	08	09
1844	70	3 70	33	25	2.60	8 00	05¼	05¼	07½	08½
1845	90	5 00	31	23	4.37	12 00	07½	06¾	08¾	08½
1846	60	3 50	25	16½	2.85	8 00	06	07	08½	08½
1847	1 00	4 95	33	17½	3.20	9 00	06¼	05	08½	10½
1848	75	3 80	28	16	3.30	9 00	06	04½	07¼	10
1849	80	4 35	30	21	2.80	8 00	05¾	04¾	12½	10
1850	70	3 86	33	23¾	4.00	10 25	07	06	12	9
1851	58	2 95	30	16	4.55	12 00	07	05¾	10	10
1852	75	4 00	43	20½	6.25	16 75	10¾	05	10	12
1853	1 00	5 30	37	21¾	4.00	11 00	08½	05	12½	14
1854	1 50	7 50	56	31	5.00	12 50	09	05¼	11¾	15
1855	1 62	8 10	43	34½	6.30	16 00	10¾	07½	12½	15
1856	1 10	5 30	45	25	6.00	15 00	10¾	10½	11¾	13
1857	80	4 40	40	17½	5.00	13 00	09	07½	11	12
1858	1 03	4 40	70	23	6.85	17 00	10¾	07¼	12	12½

³³ 3rd Annual Report Ohio Com. Statistics, 1859, p. 96. Or Exec. Doc. Part 1, 1869, p. 846.

OHIO FINANCES FROM 1833 TO 1856.³³

Year.	Foreign and domestic debt.	Annual interest state debt.	Taxable property real and personal.	Gross revenues.	Gross expenditures.
1833	\$4,750,000	\$235,000	\$78,019,526	\$298,739	\$288,739
1834	4,891,669	293,500	75,593,312	261,326	277,949
1835	4,979,287	294,757	94,438,016	201,766	235,365
1836	5,857,833	351,470	85,812,382	301,059	269,660
1837	6,136,516	368,190	91,591,745	327,868	287,560
1838	6,905,790	414,348	106,953,018	451,757	324,702
1839	10,030,162	601,809	111,224,197	655,905	632,823
1840	14,012,230	770,822	112,037,861	306,498	295,090
1841	15,573,354	934,401	128,353,657	255,832	192,279
1842	16,947,325	1,016,839	132,343,835	292,224	227,863
1843	18,668,321	1,120,099	133,663,794	328,270	233,462
1844	19,276,751	1,167,444	136,142,666	371,963	239,141
1845	19,251,180	1,140,706	144,160,469	1,583,456	1,869,937
1846	19,246,002	1,164,260	150,293,132	2,081,384	2,038,027
1847	19,233,847	1,163,509	409,897,379	2,644,785	2,397,605
1848	19,173,223	1,159,893	419,897,379	2,473,702	2,137,194
1849	19,026,200	1,147,854	429,665,629	2,511,119	2,383,135
1850	18,744,594	1,124,536	439,876,340	2,536,558	2,961,581
1851	15,584,893	923,343	462,148,620	2,878,656	2,696,369
1852	15,520,768	919,496	507,581,911	3,016,403	2,736,060
1853	15,218,129	901,191	593,396,848	2,865,907	2,696,118
1854	14,524,886	859,596	866,929,982	3,715,103	3,893,253
1855	14,008,295	829,253	860,877,354	3,631,173	3,512,844
1856	14,008,274	829,253	820,661,037	3,588,353	3,712,206

³³ Figures of Ohio State Auditor. — Bankers' Mag. 11:727 (Mar. 1857).

PROFITS OF STATE BANKS AND STOCK BANKS IN OHIO,
JANUARY 1, 1854.³⁵

Name.	Location.	Date of Organization.	Dividends in 1853.		Total Profits Beginning to Dec., 1853.
			Amount.	% of Cap.	
State Banks. ³⁴					
Athens Branch	Athens	July 20, '48.	\$20,000	20	\$77,144
Akron Branch	Akron	Dec. 1, '45.	20,000	20	135,000
Belmont Branch	Bridgeport	Feb. 1, '48.	11,000	11	65,700
Chillicothe Branch	Chillicothe	July 25, '45.	30,000	12	233,155
Commercial Branch	Cleveland	Nov. 25, '45.	35,000	20	261,232
Commercial Branch*	Toledo	Oct. 25, '45.	30,000	20	161,509
Dayton Branch	Dayton	July 16, '45.	10,700	10	143,769
Delaware Co. Branch	Delaware	Oct. 13, '45.	9,350	9.9	88,540
Exchange Branch	Columbus	June 11, '45.	15,000	12	133,117
Farmers' Branch	Ashtabula	Feb. 7, '48.	10,000	10	63,940
Farmers' Branch	Mansfield	Aug. 12, '47.	18,650	18.6	79,965
Farmers' Branch	Ripley	Aug. 17, '47.	6,000	6	61,178
Farmers' Branch	Salem	May 12, '46.	10,000	10	75,200
Franklin Branch	Columbus	Aug. 12, '45.	29,750	17	193,512
Guernsey Branch	Washington	Aug. 1, '48.	11,000	11	61,634
Harrison Co. Branch	Cadiz	Aug. 7, '47.	10,000	10	67,297
Hocking Valley Branch	Lancaster	Jan. 25, '47.	10,000	10	89,306
Jefferson Branch	Steubenville	Sept. 1, '45.	16,000	16	98,875
Knox Co. Branch	Mt. Vernon	Jan. 18, '48.	16,000	16	84,955
Logan Branch	Logan	Dec. 15, '49.	12,000	12	45,653
Lorain Branch	Elyria	Aug. 17, '47.	7,468	10	56,521
Mad River Valley Branch	Springfield	Jan. 23, '47.	16,000	16	119,425
Marietta Branch	Marietta	Nov. 3, '45.	16,000	16	123,620
Mechanics' & Traders' Branch* ..	Cincinnati	Aug. 18, '45.	.....	.....	16,376
Merchant's Branch	Cleveland	July 15, '45.	25,000	20	150,374
Miami Co. Branch	Troy	Mar. 12, '47.	15,000	15	70,594
Mt. Pleasant Branch	Mt. Pleasant	Sept. 1, '47.	10,000	10	65,286
Muskingum Branch	Zanesville	Feb. 12, '48.	12,000	12	74,199
Norwalk Branch	Norwalk	May 19, '47.	21,969	18	110,977
Piqua Branch	Piqua	May 20, '47.	14,000	14	77,468
Portage Co. Branch	Ravenna	Feb. 1, '48.	13,390	13	81,936
Portsmouth Branch	Portsmouth	Mar. 9, '47.	.....	.....	95,942
Preble Co. Branch ²	Eaton	July 19, '47.	10,000	10	110,004
Ross Co. Branch	Chillicothe	Nov. 16, '46.	24,000	16	155,335
Summit Co. Branch	Cuyahoga Falls ..	Nov. 21, '45.	15,000	15	75,660
Toledo Branch	Toledo	July 15, '45.	.....	.....	.....
Union	Massillon	Nov. 15, '45.	21,000	14	139,658
Wayne Co. Branch	Wooster	Feb. 7, '48.	8,900	9.9	51,748
Xenia Branch	Xenia	Aug. 7, '45.	12,000	12	168,271

³⁴ Forty-one branches were organized. One at Cincinnati soon wound up its business as a branch bank and continued as a private bank under the name of Groesbeck & Co. Another at Newark, organized Jan. 15, 1849, went into the hands of a receiver in May, 1852, and was closed.

PROFITS OF STATE BANKS AND STOCK BANKS IN OHIO,
JANUARY 1, 1854 — Concluded.

Name.	Location.	Date of Organization.	Dividends in 1853.		Total Profits Beginning to Dec., 1853.
			Amount.	% of Cap.	
<i>Independent Banks.</i>					
Bank of Geauga.....	Painesville	April 29, '45.	\$13,198	7.6	\$85,874
Canal Bank of.....	Cleveland	July 9, '45.	12,000	12	43,496
City Bank of.....	Cleveland	July 1, '45.	11,580	8	95,335
City Bank of.....	Columbus	July 23, '45.	.....	.....	.....
City Bank of*.....	Cincinnati	Sept. 9, '45.	.....	.....	3,549
Commercial Bank of*.....	Cincinnati	April 15, '45.	14,505	13.9	107,073
Franklin Bank of.....	Zanesville	Oct. 2, '45.	.....	.....	142,544
Mahoning Co. Bank.....	Youngstown	Nov. 15, '50.	14,558	9.2	30,794
Sandusky City Bank.....	Sandusky	June 4, '46.	.....	.....	33,801
Seneca County Bank.....	Tiffin	Nov. 18, '47.	.....	.....	.....
Western Reserve Bank.....	Warren	July 1, '45.	30,000	9.9	165,292
Total .....	.....	.....	\$95,841	.....	\$710,759
<i>Free Banks.</i>					
Bank of Commerce.....	Cleveland	Dec. 6, '52.	\$2,500	2.6	\$3,198
Bank of Marion.....	Marion	Sept. 27, '51.	9,000	9	25,282
Champaign Co. Bank.....	Urbana	Aug. 15, '51.	5,110	10	10,132
Franklin Bank Portage Co.....	Franklin	Dec. 15, '51.	4,025	6.5	6,860
Forest City Bank.....	Cleveland	Sept. 25, '51.	6,179	6.9	14,198
Iron Bank of Ironton.....	Ironton	July 12, '51.	5,552	8.8	11,882
Merchants' Bank of	Massillon	July 1, '51.	7,600	12	11,508
Miami Valley Bank of.....	Dayton	Aug. 18, '51.	8,800	4.5	18,350
Pickaway Co. Bank.....	Circleville	Aug. 18, '51.	10,000	10	19,972
Savings Bank of*.....	Cincinnati	Aug. 30, '51.	.....	.....	.....
Springfield Bank.....	Springfield	July 2, '51.	.....	.....	.....
Stark County Bank.....	Canton	Nov. 8, '51.	3,000	10	5,200
Union Bank	Sandusky City...	Jan. 1, '51.	11,230	9.7	20,500
Total .....	.....	.....	\$72,906	.....	\$147,112

³⁵ Ohio Exec. Doc., Part II, 1853, p. 326. Auditor's Report, 4/8/54.

* These banks failed to make return of their taxable property, as required by law, and subjected themselves to a penalty of 50%. In the case of Mechanics' & Traders' Bank the penalty was remitted on payment of its taxes.

STATEMENT OF THE BANK OF THE OHIO VALLEY.
MAY 6, 1862.²⁶

RESOURCES.

Ohio State 6% stocks, par.....	\$200,579 87
Little Miami and Cincinnati, Hamilton & Dayton R. R. bonds	24,425 50
United States one year certificates.....	22,000 00
Eastern exchange	92,905 30
Sterling Exchange at 4:80.....	4,186 54
Real estate and personal property.....	34,785 71
Bills discounted	461,863 69
Suspended debt (good).....	11,187 39
Due from banks and bankers.....	29,674 25

Cash, bank notes —

United States demand notes.....	\$355,500 00
Ohio and Indiana notes.....	216,200 00
Kentucky notes	10,000 00
Gold coin	471,683 00
Silver coin	8,047 10
Cash items	29,997 89
	<hr/>
	1,071,427 99
	<hr/>
	\$1,953,036 24

LIABILITIES.

Capital Stock	\$500,000 00
Undivided profits	46,883 31
Bank notes in circulation.....	83,498 00
City depositors	940,446 04
Due banks and bankers.....	376,208 89
	<hr/>
	\$1,953,036 24

²⁶ Cincinnati Daily Gazette, May 8, 1862

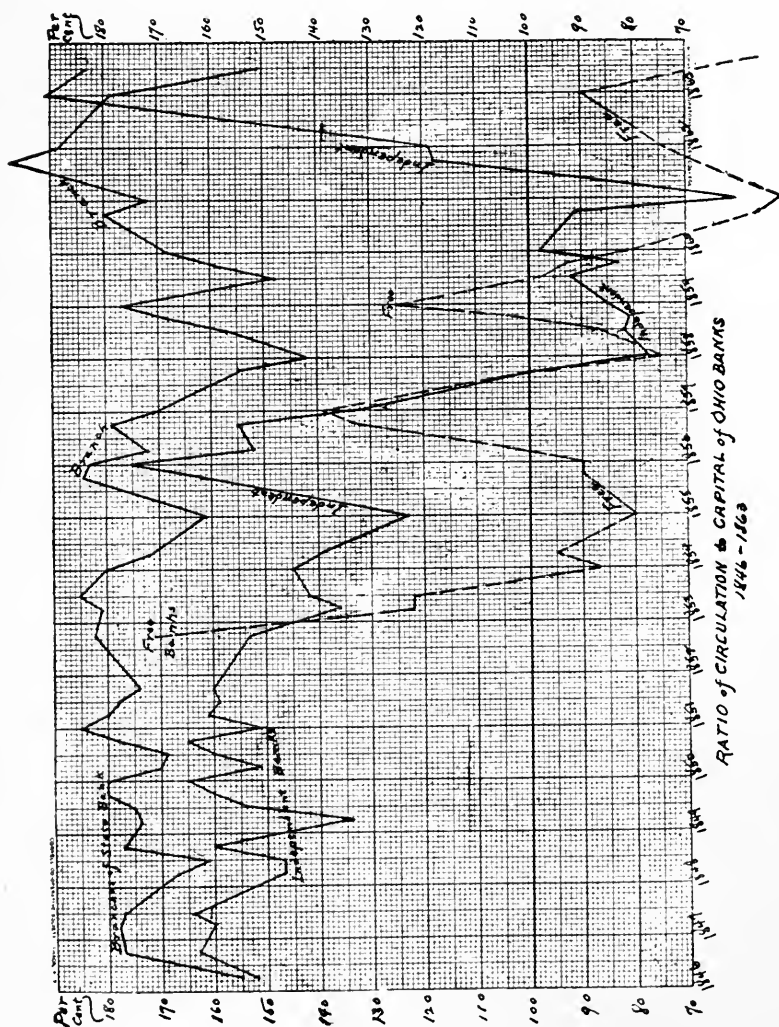
PRICES PAID BY BROKERS AND OTHERS FOR NOTES OF
OHIO BANKS THAT FAILED, 1831-1843.³⁷

Names of banks.	Circulation at time of failure.	Prices paid.			Consequent loss to note holders.
		Highest.	Lowest.	Average	
Commercial Bank of Lake Erie	\$133,324	95	50	75	\$33,331
Bank of Cleveland.....	198,237	85	30	45	109,030
Franklin Bank of Columbus.	302,903	par	75	90	30,290
Farmers' Bank of Canton....	78,442	87	50	65	27,455
Urbana Banking Co.....	368,983	70	30	50	184,492
Lebanon Miami Banking Co..	42,472	50	12	20	33,978
Miami Exporting Co.....	58,800	75	30	50	29,400
Bank of Cincinnati.....	55,693	50	12	25	41,770
Bank of Steubenville.....	90,000	50	12	35	58,500
Lancaster Bank	173,970	94	70	75	43,493
Bank of Chillicothe.....	281,277	par	75	87	36,566
Bank of Circleville.....	34,010	50	12	25	25,508
Manhattan Bank	89,898	70	20	50	44,949
West Union Bank.....	125,000	50	.....	20	100,000
German Bank of Wooster...	125,000	50	8	40	75,000
Commercial Bank of Scioto.	112,904	94	50	75	28,226
Gallipolis Bank	380,000	.....	.....	.....	380,000
Granville Alexandrian Soc..	150,000	50	20	40	90,000
Ohio Railroad	34,000	.....	.....	.....	34,000
					\$1,405,988

TABLE SHOWING THE PREMIUM CHARGED FOR EXCHANGE
AT THE FOLLOWING PLACES, AS TAKEN FROM
LETTERS, ETC., IN THE OFFICE OF THE
BANK COMMISSIONERS.

Year.	Columbus.	Canton.	Circleville.	Cincinnati.	Cleveland.	Average.
1832 .....	.....	1	.....	.....	1	1
1833 .....	.....	1	.....	.....	1	1
1834 .....	.....	1	.....	.....	1½	1
1835 .....	.....	1½	1¼	½	1	1¼
1836	1¼	1½	1½	1	1½	1½
1837	2½	3½	2	3	1½	2¾
1838	2½	4	6	5	2	5
1839	3	.....	10	2½	1½ to 14	8
1840	6	.....	10	9½	1½ to 14	8
1841	12	8½	13	10	1½ to 14	12
1842	2	8½	9	14	1½ to 14	8
1843	1	.....	2	1½	.....	1½

²⁷ From special report of bank commissioner, B. Latham, 1844. Mr. Latham estimated that from 1832 to 1843 the imports of merchandise into Ohio amounted to approximately \$227,000,000 on which the premiums paid must have been about \$11,000,000, a loss due to the depreciated currency.



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